

THE GLOBAL NEWSPAPER
Herald Tribune
Published With The New York Times and The Washington Post
PARIS, MONDAY, SEPTEMBER 5, 1983
ESTABLISHED 1887

Downing of Jetliner Seen as Damaging Soviet Peace Policy

By Hedrick Smith
New York Times Service
WASHINGTON — Angry public reactions in the United States and across Western Europe indicate that the downing of the Korean Air Lines 747 has tarnished the peace-loving image that Moscow has cultivated since the end of World War II.

But on Friday, Secretary of State George P. Shultz passed word to reporters through his spokesman, John Hughes, that the administration planned to sustain its most important link to Moscow: arms negotiations in Geneva, the new grain accord and Mr. Shultz's plans to meet with the Soviet foreign minister, Andrei A. Gromyko, in Madrid this month.

In political terms, the Soviet action, whether politically calculated or a matter of routine application of Soviet military procedure, will strengthen Mr. Reagan's hand with Congress in seeking money for the MX missile and will probably help Western governments proceed with deployment of U.S. missiles in Europe this year.

"It's going to make some things easier for us," a presidential adviser said, "and that's a bad trade-off for the Russians."

For that reason, administration officials were skeptical that Mr. Andropov and other political leaders deliberately sought such an incident and risked the angry world reaction. But no one was able to say (Continued on Page 2, Col. 5)



Relatives of passengers aboard the downed South Korean jet cast flowers into sea Sunday south of Sakhalin island.

Gunships Sent to Back French Troops in Chad

NDJAMENA, Chad — A squadron of Gazelle anti-tank helicopters arrived Saturday, a French military spokesman said Sunday, and witnesses claimed 15 of the French gunships at the airport.

The spokesman declined to say whether their arrival from the neighboring Central African Republic, like Chad's former French colony, meant that French troops in forward positions along an east-west defense line could be threatened by tanks.

"It simply means we are prepared for any eventuality," the spokesman said.

The French have more than 2,000 troops in Chad, in addition to eight combat jets sent to support President Hissene Habre's government last month after it lost most of the north to the rebels.

The troops are ostensibly there as instructors, but President Francois Mitterrand of France has said that, if threatened, the troops would "not limit themselves to defensive measures alone."

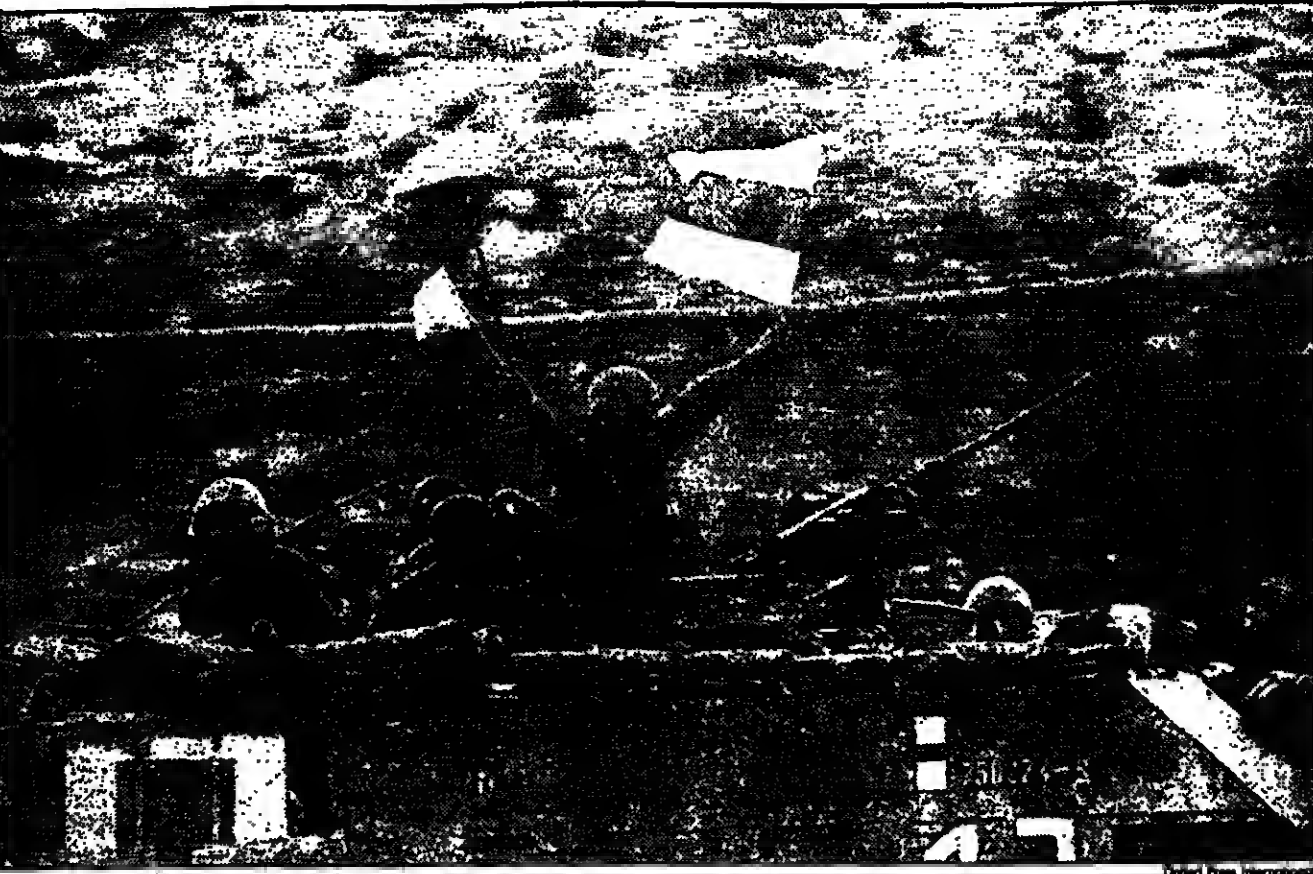
The Habre forces were also boosted Saturday by the arrival of a C-130 Hercules military transport aircraft sent by the Reagan administration.

No fighting was reported Saturday from the Oum Chalouba area, about 400 miles (640 kilometers) northeast of the capital, where the government said a large rebel force attacked its garrison last Friday.

There was no official response to a statement by the rebel leader, Goukouni Oueddei, reported by African radio stations, that his men were still in control of Oum Chalouba.

The government said provisional figures showed 800 rebels dead and 600 captured compared with the loss of 15 wounded.

Informed sources in Ndjamena and military sources in Paris said two French Jaguar strike planes roared low over the battlefield, panicking the rebels and turning



An Israeli soldier waved signal flags as he and his crew left the Chuf area Sunday in an armored personnel carrier.

Reagan to Reveal U.S. Response to Jet Incident

Compiled by Our Staff From Dispatches
WASHINGTON — President Ronald Reagan is to address the nation Monday evening to disclose his response to the downing Thursday of a South Korean airliner over the Soviet Union, congressional leaders said Sunday after meeting with the president.

Richard R. Burr, assistant secretary of state for European affairs, said on a television interview program that Mr. Reagan would make "a strong, firm speech."

"He will want to talk about what steps we are prepared to take together with our allies," Mr. Burr said, "but more importantly, I think, he will want to describe our overall approach to the Soviet Union."

The deputy White House spokesman, Larry M. Speakes, said Mr. Reagan was likely to announce sanctions the United States intends to impose against the Soviet Union, as well as some actions the United States plans to take in concert with its allies.

Mr. Reagan presided Sunday at a White House meeting, lasting more than two hours, on U.S. options. The top Republican and Democratic leaders of the House and Senate took part, as well as the president's senior national security advisers.

The congressmen reported that tape recordings of the monitored conversations of Soviet pilots involved in the attack on the plane, which carried 269 people, were played during the meeting.

According to the House Democratic leader, James C. Wright Jr. of Texas, a translation of a tape indicated that one Soviet pilot described the Korean Air Lines Boeing 747 as an RC-135, a U.S. military aircraft said to be used in spying missions off the Pacific coast of the Soviet Union.

Mr. Speakes said a U.S. spy plane was in the vicinity of the Korean Air Lines flight, but well outside Soviet airspace. But because of the distinctive shape and radar image of the Boeing 747 and markings common to civilian airliners, "there was no mistaking" the aircraft for a spy plane, he said.

■ Reagan Urges Firmness
Bernard Gwertzman of The New York Times reported earlier from Washington.

Mr. Reagan said Saturday that the Soviet Union's downing of the South Korean airliner was an international issue that required world leaders to deal with the Russians "in a calm, controlled but absolutely firm manner."

Reflecting a decision to seek international condemnation of the incident, including curbs on air travel to the Soviet Union, Mr. Reagan said:

"This murder of innocent civilians is a serious international issue between the Soviet Union and civilized people everywhere who cherish individual rights and value human life."

"The evidence is clear," he said. "It leaves no doubt. It is time for the Soviets to account. The Soviet Union owes the world the fullest possible explanation and apology for their inexcusable act of brutality."

After Mr. Reagan met with his advisers Friday, senior officials said there would be no trade sanctions invoked against the Soviet Union or any suspension of arms control talks in Geneva.

To underscore U.S. interest in arms control, Mr. Reagan met with Paul H. Nitze, his chief negotiator at the Geneva talks on medium-range missiles. Those negotiations are to resume Tuesday.

After the meeting, Mr. Nitze said that, despite "the irresponsible Soviet action" that led to the downing of the South Korean plane, "we must, nevertheless, continue our efforts to reduce the threat of nuclear conflict through negotiated, fair and verifiable agreements."

In the Korean plane incident, officials said the United States was seeking steps to condemn the Soviet Union and to seek redress through action in the International Civil Aviation Organization and by the International Federation of Airline Pilots Associations.

One proposal being explored with other countries is a suspension of some 60 to 90 days on Soviet landing rights in foreign countries and on flights from those countries to the Soviet Union. The United States has no direct air connection to the Soviet Union.

State Department officials said the United States wanted the Soviet Union to join in an accord affirming the safety of civilian airliners even if they stray over another country's territory.

At the State Department, a senior official said that Secretary of State George P. Shultz, in a meeting scheduled for Thursday with the Soviet foreign minister, Andrei A. Gromyko, would demand that Moscow "come clean with the facts" about the airliner.

Salvadoran Guerrillas Attack 3d Largest City

Compiled by Our Staff From Dispatches
SAN SALVADOR — A large force of leftist guerrillas caused widespread destruction Sunday in San Miguel, El Salvador's third largest city, in what residents called the largest attack on the city in the four-year civil war.

A Salvadoran Army spokesman said the rebels withdrew after a 10-hour assault on San Miguel in which guerrillas destroyed two main bridges, one of the country's largest office mills and several houses and office buildings.

But residents of San Miguel, a city of more than 100,000 people, reported that scattered shooting continued later in the day and said that civilians remained in their homes out of fear of renewed attacks.

The rebels' Radio Venceremos said the artillery attack, which it, too, described as the guerrillas' biggest so far, had killed or wounded more than 300 people. But the army said only six soldiers were killed and 35 wounded.

Caspar W. Weinberger, the U.S. secretary of defense, is to begin a two-day tour of the area on Tuesday.

The guerrillas attacked San Miguel while 6,000 troops were combating the neighboring provinces of Usulután and San Vicente, where the army has mounted a large-scale pacification program.

Residents said by telephone that the rebel bombardment destroyed the office of the National Telecommunications Company, the Treasury Police headquarters, the city bus terminal and other buildings.

The state Electrical Energy Company confirmed that the provinces of San Miguel, Usulután, La Unión and Morazan, which comprise 40 percent of El Salvador's territory, were without power because of rebel sabotage.

"It's the first time that they have attacked so strongly," said a San Miguel resident who asked not to be identified for security reasons. "No one has left his house. Vehicles aren't circulating and so far it's not known how many people have been killed."

Joaquin Villalobos, leader of the Revolutionary People's Army, the strongest of the five guerrilla groups fighting the U.S.-backed Salvadoran government, said in a Venceremos broadcast that the attack was aimed at the 3d Infantry Brigade garrison in San Miguel.

Mr. Villalobos said the rebel force had destroyed two highway bridges and a rail bridge over the Grande River.

The army press office confirmed the destruction of the highway bridges and several houses.

Residents said the rebels fought their way into the heart of San Miguel, the regional military center for El Salvador's four easternmost provinces.

"We're surrounded by thousands of the bastards," said one military officer based in San Miguel before the rebel withdrawal was reported.

The government rushed troops to the city, which lies 69 miles (112 kilometers) southeast of San Francisco Gotera and La Unión. Air force helicopters and planes bombed and strafed suspected rebel positions around the city, military sources said.

Two columns of relief forces from La Unión, 25 miles (40 kilometers) southeast of San Miguel, were ambushed by guerrillas outside San Miguel, one military source said, but there were no immediate casualty reports.

12 Die as Pakistani Police Clash with Protesters

ISLAMABAD, Pakistan — Anti-government protests continued over the weekend as seven policemen and five demonstrators were reported killed in a clash in Sind province.

Sind police said their men were killed Saturday while battling a crowd of several thousand in the town of Moro after a jailed leader called for a jihad, or holy war, against military rule.

Opposition sources said five protesters died in the clash, the worst since the Movement for the Restoration of Democracy launched a civil disobedience drive against President Mohammad Zia ul-Haq on Aug. 14.

The sources said that armed troops were patrolling Moro and that the protests continued in Sind Sunday despite monsoon rains, with more than 60 arrests in at least eight towns along the Indus River valley.

Saturday's violence ended more than a week of relative calm in Sind, and came as General Zia and the province's military governor assured separate audiences that the situation was completely under control.

Western diplomats here, reassessing their initial view of the civil disobedience campaign, said it now appeared that the opposition movement could continue the protests for some time.

Although not yet a grave threat to General Zia's rule, the unrest was chipping away at army control over events and breaking down people's fears about defying martial law, they said.

The violence in Moro began after police fired tear gas at a small group of women holding a protest march near the town, home of Ghulam Mustafa Jatoi, the jailed president of the Pakistan People's Party in Sind, who called for the holy war in a taped message released Friday.

His son, Ghulam Murtaza Jatoi, then led men armed with guns and axes to the town, where fighting broke out with police, opposition sources said. The son was arrested but later escaped.

After the clash, armed men ambushed three army trucks outside Moro in the first reported attack on troops during the disturbances.

Ghulam Murtaza Jatoi later denounced the violence of Saturday's protest but said opposition leaders had warned police that violence would make protesters react. He said the police used tear gas and charged at the marching women with batons.

Reports from the interior of Sind, where communications are often bad, indicated general strikes were held Saturday in at least 44 towns in the Indus Valley.

Although he said a rapid tour of the region on Friday convinced him that the protests were dying out, Sind's governor, Lieutenant General S.M. Abbasi, said Saturday he would deploy 10,000 paramilitary troops to help police in the province.

General Abbasi told the provincial council in Karachi the forces would ensure that local council elections scheduled for Sept. 29 went smoothly.

General Zia, in Islamabad at the end of a six-day visit to Turkey, repeated Saturday he would stick to his plan to hold general elections and end martial law in March 1985.

Six self-styled members of the Pakistan People's Party, the largest opposition party, plan to return here Monday to help spread protests into the Punjab, Pakistan's most populous province. Opposition sources said they expected them to be arrested on arrival.

The party was founded by Zulfikar Ali Bhutto, who ruled Pakistan for five years before General Zia overthrew him in a 1977 coup and later had him executed.

The weekend's casualties brought the official death toll to 31 while the opposition said it now stood at 50.

Militias Clash In Beirut, Chuf As the Israelis Stage Pullback

Compiled by Our Staff From Dispatches
BEIRUT — Heavy fighting broke out in Beirut and the Chuf mountains Sunday as Christian and Druze factions scrambled to take up positions abandoned in a long-awaited Israeli withdrawal.

A Marine spokesman, Major Robert Jordan, said marines fired back at militiamen south of the airport during the afternoon.

The Israeli withdrawal came without notice and was accomplished in hours.

Officers arriving at the military's south Lebanon headquarters in Sidon reported their units faced no opposition and suffered no casualties. Reducing casualties had been a main objective of the withdrawal.

While some combat units headed into Israel for the Jewish New Year holiday, others took up new positions along the Awali River. The Israelis have built a chain of earth fortifications and lookout posts that stretches 113 kilometers (70 miles) inland from the Mediterranean. It is about 40 kilometers north of the Israeli border.

Despite the withdrawal, about 500,000 Lebanese will remain under Israeli control in an occupied area of about 2,800 square kilometers. Israel has said it would not leave this area until Syrian troops agreed to leave Lebanon.

Lebanese soldiers had intended to take over from the Israelis to prevent the outbreak of factional fighting. But the Israelis were completely out of the important Aley province and west south of Beirut before Lebanese Army units moved from the capital.

■ 'Message' for Syria
Mr. Arens, the Israeli defense minister, discussing the attack by Israeli planes on Syrian tanks, said "we made it clear we do not want 'hostile' forces entering the area that we leave," UPI reported.

"It should be clear to the Syrians that it includes them," he said. "We do not want Syrian forces entering the area that we leave and I think that message is well understood in Syria."

Hundreds of artillery shells and rockets from Christian and Druze militias struck villages in the 600-square-kilometer (228-square-mile) area abandoned by the Israelis. The fighting spread to Beirut's southern and eastern suburbs. Thirty-one persons were reported by police to have been killed and 71 injured.

A Lebanese Army assault unit fought leftist Druze irregulars near Beirut International Airport.

The U.S. marines and British,



Protesters applauded over the body of one of the policemen killed during the clashes in Moro, Sind province.

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Political Wars in Mideast — and U.S. — Snag Reagan Plan

By Joseph Fitchett
International Herald Tribune

WASHINGTON — U.S. policy in the Middle East, which aroused high hopes a year ago when President Ronald Reagan launched his peace initiative, is bogged down in Lebanon because of stalemates both in the Middle East and in Washington, according to U.S., Arab and Israeli sources.

The crisis in Lebanon demonstrates, they say, the intractable problems on the ground in trying to reconcile warring Middle East factions and also the limits on U.S. action because of conflicting views in Washington among rival bureaucratic factions.

For U.S. policy, the outlook is "more of the same, trying to patch things together in Lebanon," according to a U.S. official who works directly on the problem and thus refused to be identified.

An official said that the revival of the Reagan plan would require unprecedented political will in the White House. He added that Mideast risk-taking was unlikely in an election campaign period when politicians are very conscious of the ability of pro-Israeli groups to provide money and organizational support.

In Lebanon itself, the Reagan administration is militarily constrained by Pentagon reluctance and congressional objections to sending more U.S. troops. The diplomatic options are limited because U.S. policy-makers, after keeping Syria in the dark during a year of U.S. diplomacy, seem to be in the dark themselves now about how to deal with Syria.

Several officials said the White House would probably authorize U.S. marines to operate more boldly in Lebanon, joining the Lebanese Army in patrolling regions evacuated by Israeli troops.

But these changes are probably the maximum that President Reagan can order without causing an outcry in Congress.

The Pentagon opposes a combat role for U.S. troops, apparently because military leaders are leery

of a halfhearted political commitment, several U.S. officials said.

Ultimately, a durable settlement in Lebanon seems likely to require Syrian assent, but no U.S. policy-maker appears able to suggest how to obtain it. Yet the White House cannot walk away from Lebanon because the Reagan administration claims the Israeli-Lebanese accord as a foreign policy success.

This dogged concentration on Lebanon to the virtual exclusion of other aspects of the Arab-Israeli problem underscores how drastically the Reagan administration has lowered its sights after a year of diplomacy.

The Reagan plan called on Israel to give up some land for peace with its neighbors and envisaged Jordanian negotiations with Israel about Palestinian autonomy on the West Bank.

Coming on the heels of U.S. moves to get Israeli and Syrian forces out of Lebanon after the massacre in the Beirut refugee camps, the plan was cautious acceptance from moderate Arab governments and revived U.S. prestige in the region.

Although the Reagan administration contends that Syrian obduracy and Jordanian hesitancy blocked U.S. plans that ultimately would have served Arab interests, the United States and its moderate Arab clients have also lost influence.

Interviews with U.S., Arab and Israeli sources, aimed at reconstructing the diplomatic failure that led to the present impasse, produce an overall impression: U.S. presidential diplomacy lacked vigor and follow-through at critical junctures.

Arab diplomats said the United States failed to capitalize on Israeli political vulnerability after the Sabra and Chatila massacres, causing a delay that gradually sowed doubt about U.S. sincerity.

These doubts were particularly strong in Syria, especially after Philip C. Habib, the U.S. negotiator,

decided to keep Syria in the dark about the Lebanese-Israeli talks.

Instead, U.S. officials decided it would be more practical for the Lebanese to keep the Syrians informed and thus stay informed themselves about what Lebanese concessions would be acceptable to Damascus.

In fact, Lebanese officials did little talking to one another and none to the Syrians, apparently because they were afraid of Syrian objections. They counted on Arab pressure to impose a final accord on Syria.

Old Syrian hands in Washington warned that Syria would be a problem, especially since Mr. Assad trusted Mr. Habib. Mr. Habib had provided personal assurances last summer that Israel would observe a cease-fire just negotiated by Mr. Habib, and within hours Israeli aircraft wiped out Syrian missile batteries in Lebanon's Bekaa valley.

Mr. Assad focused his efforts on blunting the other prong of U.S. diplomacy by preventing King Hussein from agreeing to negotiate with Israel.

During King Hussein's visit to Washington in December, U.S. officials said recently, President Reagan offered far-reaching promises.

If Jordan would announce its readiness to negotiate over the West Bank, Mr. Reagan promised, the United States would obtain a freeze on Israeli settlements before the talks started.

The talks themselves, Mr. Reagan reportedly promised, would be short and would conclude with a transition period to Palestinian autonomy perhaps as short as one year.

But, officials said, the United States neglected in ensuing weeks to "keep the stroke on Hussein," with the result that the Jordanian king, apparently skeptical about U.S. determination, felt he dare not take the plunge without support from Yasser Arafat, chairman of the Palestine Liberation Organization.

The PLO, under Syrian and Soviet pressure, balked, and King Hussein backed away.

"Arafat got the worst of both worlds," an analyst said. "He passed up what might have been a U.S. breakthrough, then the Syrians went ahead anyway with the punishment they had prepared in case he cooperated with the Americans."

But Mr. Arafat, like King Hussein, had become more dubious about U.S. policy because of the stalled Lebanese talks.

"Timing was crucial," a policy-maker said. "What was possible in December or January wasn't possible by the spring: the Syrians had become too strong."

This official and several other diplomats now say that the United States should have insisted on a simple agreement that would have quickly gotten Israeli troops — and therefore the Syrians — out of Lebanon.

A parallel policy dispute was under way in Israel, according to recent press reports.

Israel's intelligence service, Mossad, had the ambitious goal of helping the Christian Phalangists turn Lebanon into a pro-Israeli state. This dictated steep Israeli bargaining terms and delayed Israeli disengagement. The Israeli Army, however, was urging a quick deal and an early pullback to the security perimeter in south Lebanon.

While Israel delayed, a U.S. official said, the psychological tide in the Arab world turned in Syria's favor, then hardened against Lebanon when the extent of Lebanese concessions emerged.

Lebanese sources blame the United States for insisting on "normalization" with Israel, but U.S. officials say they only supported these concessions when it became politically essential for the Reagan administration to obtain a diplomatic coup, the withdrawal agreement.

That agreement, stonewalled by Syria, now forces the United States to concentrate all its efforts on preventing the collapse or partition of Lebanon.

WORLD BRIEFS

Disobedience Planned Against Marcos

MANILA (UPI) — Supporters of Benigno S. Aquino Jr., the opposition leader who was shot to death on Aug. 21 as he returned from voluntary exile, have announced plans for a civil disobedience campaign against the government of President Ferdinand E. Marcos.

A statement Saturday said that leaders of Mr. Aquino's Labor Party "unanimously agreed on the overriding objective of restoring free democratic process and ultimate establishment of a free government, with nonviolent confrontation or civil disobedience as the immediate means."

Party sources said there was no agreement on what exactly the party would do to take advantage of a large popular showing of sympathy for Mr. Aquino. Participants also were divided on whether to participate in next year's legislative elections.

Chilean Ex-Official Ends Spanish Exile

SANTIAGO (Reuters) — Andres Zaldivar, a former Chilean finance minister and former leader of the banned Christian Democratic Party, returned from exile over the weekend and pledged to fight for a return to democracy in Chile.

Mr. Zaldivar was welcomed Saturday by several hundred as he arrived at the Santiago airport from Spain, where he had been living for three years.

He praised President Augusto Pinochet's military government for lifting a ban on the return of several hundred exiles, including himself, but added: "This is not all. My country has no right to live what it is living through." Ten years of military rule, Mr. Zaldivar said, have transformed Chile into a nation that was "politically, economically and morally destroyed."

Nigerian Ruling Party Wins Majority

LAGOS (AP) — The dominant National Party of Nigeria won nearly 60 percent of the seats in the House of Representatives, according to final results of the Aug. 27 elections released Sunday.

The party, led by President Shehu Shagari, won 263 seats in the 450-seat House, followed by the Nigerian People's Party with 48 seats and the People's Redemption Party and the Unity Party of Nigeria with 41 seats apiece.

Voting has been put off indefinitely in Oyo and Ondo states, both Unity Party strongholds, following violence after the gubernatorial elections in mid-August in which 43 people reportedly died. Mr. Shagari was recently returned to a second four-year term by more than four million votes and his party also won 13 of 19 state governorships and 55 of 83 contested Senate seats.

Glomp Defends Workers, Walesa

CZESTOCHOWA, Poland (Reuters) — Cardinal Jozef Glomp warned the Polish authorities Sunday against insulting the country's workers, saying that they were largely responsible for the process of national reform.

In an unusually tough sermon before about 100,000 farm leaders gathered for a harvest service, Poland's Roman Catholic primate issued a clear defense of Lech Walesa, leader of Solidarity, who has come under fierce official attack.

The cardinal's remarks were seen as the church's reaction to a televised confrontation between Mr. Walesa and Deputy Prime Minister Mieczyslaw Rakowski at a meeting in Gdansk 10 days ago, during which the minister scorned Mr. Walesa and his movement. Several Solidarity banners were seen in the crowd, which included the leaders of farm delegations from around the country.

Peronists Convene After Fraud Claim

BUENOS AIRES (Reuters) — An investigation of accusations of fraud in electing delegates to the National Congress of the Peronist Party has prevented about one-third of the delegates from attending the gathering.

The congress began Saturday, after an appeals court on Friday barred 235 delegates from the province of Buenos Aires from attending pending a judge's investigation of charges that they had been elected by fraud and intimidation.

The former Argentine president, Isabel Peron, 53, was also absent. Peronist sources said she would not return from exile in Spain, where she has been since 1981, until the government lifts a ban on her holding office. Some traditionalists are supporting her for the Peronist nomination for president, but it has been reported that the party leadership has agreed on a moderate former senator, Italo Luder, as its presidential candidate in the Oct. 30 elections.

Mintoff, in Shift, Takes Interior Post

VALLETTA, Malta (Reuters) — In a major reshuffle in Malta, Prime Minister Dom Mintoff, has again taken over the ministry of the interior, which controls the army and the police, and given new positions to all but three ministers. Veteran ministers were installed in areas where Malta is having major difficulties — industry and employment, the economy, and tourism.

After the 1981 elections Mr. Mintoff gave up the ministries of foreign affairs and the interior, starting speculation that he was about to retire from politics.

The tourism minister, Renato Calleja, resigned in the reshuffle Friday night, while the minister for foreign affairs, Alex Sciberras Trigona, retained his post.

Irish Leader Opposes Abortion Plan

DUBLIN (Reuters) — Prime Minister Garret FitzGerald of Ireland has said that it is his duty as a Christian to vote against a controversial proposal to outlaw abortion in an upcoming referendum.

In a statement issued Saturday night, Mr. FitzGerald acknowledged that he had initially supported a campaign launched two years ago by a small rightist pressure group to put the existing legal ban on abortion into the constitution.

But Mr. FitzGerald said that he had opposed the amendment after his own attorney general said that the wording was so ambiguous that it might make abortions easier and could endanger a mother's life. However, Mr. FitzGerald stopped short of urging voters to act against the amendment.

Doubts Raised About British Tanks

LONDON (Reuters) — A British defense writer says that British performance in a NATO gunnery competition raises doubts that the Chieftain and Challenger tanks could survive for long in a battle with the Soviet Union's T-72 tank.

Rupert Pengetley, editor of Defense Attaché, said in the latest issue of the publication that the British performance, in June in West Germany, was considered a disaster by one senior British military observer. Out of a field of 10, the U.S. teams, equipped with the new M-1 tank and the older M-60, finished first, second and eighth. The British team came in ninth. Mr. Pengetley said: "There is no way we are going to let this pass and pretend it didn't happen," an army representative was quoted as saying.

South Africa Media Unveil Press Plan

JOHANNESBURG (Reuters) — The South African newspaper industry has unveiled the details of a new watchdog body aimed at avoiding further government controls on the press.

The plan for a media council was unveiled Saturday. The council, which will start work in November, is being given a chance to prove itself to the government, which has delayed enforcing a law passed by Parliament last year.

The law, known as the Registration of Newspapers Amendment Act, requires all newspapers to subject themselves for disciplinary purposes to a "voluntary" body and empowers the minister of internal affairs to cancel the registration of any newspaper that fails to accept its decisions. The law was rushed through Parliament in the final days of the 1982 session, but was shelved earlier this year after newspapers opposed it strongly.

Iraq Vows to Continue War With Iran

BAGHDAD (Reuters) — Iraq marked the third anniversary of its war with Iran Sunday with a vow that it would continue fighting until the end of the century unless a just solution to the conflict is reached.

"If Iran continues its aggression, Iraq will continue to fight in defense of its land and pride," Defense Minister Adnan Khairallah, who is also deputy commander-in-chief of armed forces, said in an interview with the government newspaper al-Jumhuriya. He did not specify what he meant by a just solution.

For the Record

BANGKOK (AP) — The Vietnamese government has confirmed that it is holding a Briton and an American arrested during an apparent hunt for pirate treasure in the Gulf of Siam, a British Embassy spokesman said Sunday. Hanoi named the Briton as Richard Knight, 47, of Shoreham-by-Sea in Essex, and the American as Frederick Gaham, 19, of Belmont, California.

BERLIN (AP) — About 5,000 marchers, including both Germans and Turks, followed the funeral cortege Sunday of Kemal Altun, the Turk who jumped from a sixth-story West Berlin courtroom window last week and killed himself. Mr. Altun had been denied asylum.

Japan Says Soviet Envoy Disclosed Discovery of Aircraft Debris in Sea

By Clyde Haberman
New York Times Service

TOKYO — The Soviet ambassador to Japan has reported that debris from an aircraft was found in waters where a South Korean airliner was reported to have been

shot down Thursday by a Soviet fighter plane, the Foreign Ministry said.

The ambassador, Vladimir Y. Pavlov, did not specify that the fragments were from the Korean Air Lines jet that went down with

269 persons aboard in the northern Sea of Japan west of Sakhalin island, the ministry said.

Nevertheless, the report Saturday was the first Soviet statement that any trace had been discovered of what presumably was the Korean jet, a Boeing 747 on the Anchorage-to-Seoul leg of a flight that had begun in New York.

At the same time, the Japan Broadcasting Corp. said that the government had evidence that an order to fire on the South Korean plane had been given from a Soviet ground control station.

It reported that conversations between Soviet pilots and ground control stations had been taped throughout the two and a half hours that Russian planes reportedly tracked the airliner.

The Japanese government is prepared to make these tapes public if it is unhappy with Soviet handling of the crisis, according to the report. Foreign Ministry officials declined comment and refused even to acknowledge that they had such tapes.

However, it is believed that Japanese military stations, like their American counterparts, closely monitored the Korean Air Lines flight and that their data were the basis for a conclusion that the jet-liner had been shot down.

The statement by Mr. Pavlov that airplane debris had been found in the waters off Sakhalin did not satisfy the Japanese foreign minister, Shintaro Abe, who protested that the Russians were not providing enough information.

It was the third time that the ambassador had been summoned to the Foreign Ministry since the plane disappeared but the first time that he had met with Mr. Abe.

At a news conference after his 40-minute meeting with the ambassador, Mr. Abe warned that "the Soviet attitude will influence relations between Japan and the Soviet Union."

Search Reported Over

Japan's Kyodo News Service said Sunday that the Soviet Union appeared to have ended its search for the downed jet, owing agencies reported from Tokyo.

Kyodo quoted Japanese military sources as having said that an analysis of Soviet ship-to-shore communication off the southern end of Sakhalin revealed a sharp decline in activity after Friday night.

The Soviet Union has ignored Japan's requests that its search ships be allowed to enter Soviet waters off Sakhalin.

One Japanese ship that was stopped short of the suspected crash site was carrying 41 Japanese and 6 Korean relatives of passengers of the jet. When the ship, escorted by a Maritime Safety Agency patrol boat, reached its northernmost point, the relatives threw flowers into the ocean and began crying for their lost family members.

A vice president of Korean Air Lines, Cho Choon-Kun, said in a news conference on the island of Hokkaido that the airline was willing to pay \$75,000 in compensation to the family of each passenger.

Officials in Seoul told Reuters that South Korea had ruled out direct sanctions against the Soviet Union over the loss of the plane.

Members of the National Assembly had urged the government to close the Korea Strait, with the help of Japan, to Soviet shipping, but Foreign Minister Lee Bum Suk made clear that no such measure was planned, the officials said.

President Chun Doo Hwan met with officials at the presidential mansion and was reported to have called for stepped-up diplomatic efforts to gain even wider support for South Korea in its demands for compensation from the Soviet Union.

With the United States and Japan in the forefront, the loss of the plane has already brought criticism and condemnation of the Soviet Union from at least 50 countries, including China, Romania and Yugoslavia.



Angered by the downing of the South Korean airliner, 70 protesters broke through the gates of the Soviet diplomatic retreat at Glen Cove, New York, Sunday, before being turned back by police and guards. They were part of a crowd of 1,000 that demonstrated outside the Long Island compound, burning a Soviet flag. Five policemen were injured.

Plane's Crew May Have Been Using Shortcut to Seoul, U.S. Experts Say

By Philip Taubman
New York Times Service

WASHINGTON — Intelligence analysts studying information about the flight of a South Korean plane that the United States charges was shot down by a Soviet jet say they cannot rule out the possibility that the plane's crew might have flown intentionally into Soviet airspace on a short-cut route to Seoul.

Korean Air Lines officials have rejected such a possibility, saying that their pilots were well aware of the danger of entering Soviet airspace. But the question remains one of several that may never be resolved, according to the analysts.

The intelligence experts also said Saturday that the record does not disclose how the plane strayed over Soviet airspace or whether Soviet pilots realized they were pursuing a passenger plane. The experts are working with recordings of the communications between the South Korean crew and Japanese air traffic controllers and conversations between Soviet pilots and their ground commanders.

The United States did not receive the recordings, which were made by the Japanese, until almost 12 hours after the incident on Thursday. American officials have said that the United States had no ability to monitor the conversations as they were taking place.

The officials said that other interceptions of Soviet communications provided only a fragmentary picture of how the decision was made to shoot down the plane and who approved the attack.

The intelligence officials, cautioning that their speculation was based on circumstantial evidence, said it was difficult to support any other explanation on the basis of available information about the route of Korean Air Lines Flight No. 7 from New York to Seoul.

The officials said they knew of no previous efforts by South Korean pilots to save flying time to Seoul by taking a more direct route, and acknowledged that intentionally flying through Soviet airspace would be unthinkable to experienced pilots. But they said that other explanations, such as faulty navigational equipment, seemed even more unlikely.

That suggestion was advanced by aviation experts, who said a breakdown in the plane's automated navigational system might have caused the aircraft to veer off the approved flight path that runs over international waters off the Siberian coast.

Intelligence experts said, however, that the Boeing 747 jet was equipped with three separate sets of highly sophisticated navigational equipment that were designed to protect against course deviations caused by a breakdown in one of the units.

Even if all three computerized units were providing misleading information because they were improperly programmed before the plane left Alaska, the officials said the crew had other ways to check the course.

In addition, according to the intelligence officials, the incorrect course that the plane followed, whether by design or accident, happened to be the shortest, most direct route to Seoul.

"The plane did not veer off suddenly in some completely random direction," a senior intelligence official said. "It was on the wrong path for several hours, over deviating from a line that would have taken it straight to Seoul."

over Soviet territory above the island of Sakhalin.

On the question of Soviet actions, intelligence officials said they remained uncertain as to whether Soviet pilots pursuing the South Korean plane knew it was a passenger airliner. Official Soviet statements have described the plane as a surveillance aircraft on an apparent spying mission.

The Soviet news agency Tass said Saturday that the plane looked like a U.S. AWACS surveillance plane.

The AWACS, which stands for Airborne Warning and Control System, is a modified Boeing 707 filled with electronic and communications equipment that carries a large radar pod on top.

A transcript of the pilot's conversation with the ground controllers reportedly shows that before firing a missile at the South Korean plane, he flew within about a mile (1.6 kilometers) of the aircraft to make a visual sighting, intelligence officials said.

Intelligence officials said it is inconceivable that the Soviet pilot would not have realized that the plane was a passenger aircraft if he got a good look at it, but they cannot tell from the transcript whether he did.

The plane turned to the southwest at the tip of the Kamchatka peninsula, going through Soviet airspace over the Kuril Islands, back into international airspace over the Sea of Okhotsk and again

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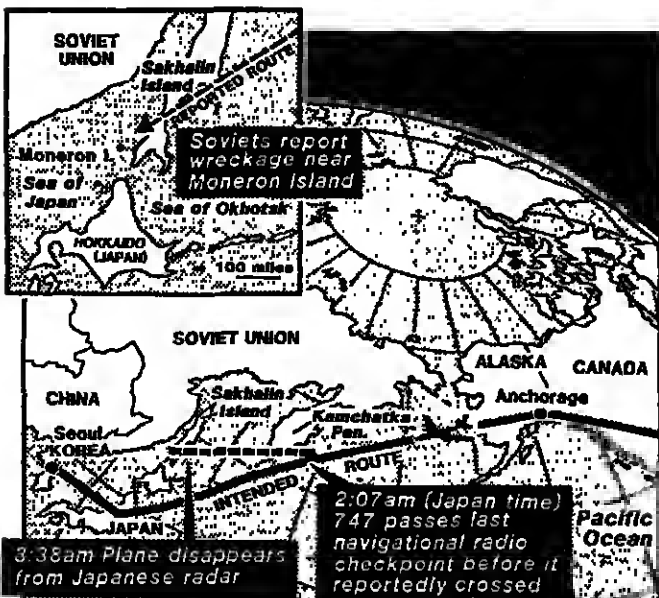
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Soviet Official Describes Pilots' Warning Efforts

United Press International

MOSCOW — The head of the Soviet Union's air defense, calling Korean Air Lines Flight No. 7 a "rude and deliberate" provocation, gave an account Sunday of the efforts of Soviet pilots who allegedly fired warning shots at the plane.

The account, transmitted by Tass, largely reiterated previous statements, none of which admitted shooting down the South Korean plane Thursday over the north Pacific.

It was the first statement attributed to any specific Soviet political or military official about the incident in which 269 people died.

Colonel General Semyon Romanov, chief of staff of the Soviet fighter defense command, said one fighter pilot had made repeated attempts for a "long" period of time to direct the "intruder plane" to the nearest Soviet base.

After failing to establish radio contact with the jet, the pilot fired warning shots parallel to the flight path, General Romanov said.

In a refinement of Moscow's previous explanations, General Romanov said the KAL jet "flew with extinguished lights and its outlines resemble much those of the American reconnaissance plane RC-135."

"Just in this year, American military planes ... nine times violated the airspace of the Soviet Union in the region of the Kuril Islands."

"Our interceptor pilot made warning shots with tracer shells along the course of the intruder plane to draw the crew's attention to the gross violation of the airspace of another state," he said.

"The plane seemed to be stalking under the cover of night above our territory," General Romanov said. "And there are no doubts that this was a deliberate action designed as a rude provocation. It is not difficult to guess who and for what purpose needed this provocation."

General Romanov said that after the jet failed to establish radio contact, the Soviet pilot flashed his aircraft's lights and rocked its wings.

"Neither wagging nor flashing, however, brought the necessary result," he said. "The intruder plane continued the flight in night conditions at the height of 8,000 to

10,000 meters above the territory of the Soviet Union," or 26,400 feet to 33,000 feet.

Following his report of General Romanov's remarks, Tass published a new, harsh list of accusations against the United States. "The U.S. administration continues its dodging tactics and avoids giving straight answers to questions concerning its criminal actions," the agency said.

"Initiators of the outrageous rumpus, which is being raised by the White House and personally by Ronald Reagan against the Soviet Union, deliberately heighten it to utmost limits, piling one deception on another," it said.

"They do not mention that responsibility for the provocation rests with the American services that sent the plane for a spying mission along the route which cut inside Soviet territory," Tass said.

■ U.S. Responsibility Alleged
Serge Schmemmann of The New York Times reported earlier from Moscow:

In an account carried by Tass and read on Soviet television Saturday night, the Soviet Union intensified its charges Saturday that the United States was ultimately responsible for the fate of the South Korean plane.

It accused the White House of waging a "worldwide, rabid anti-Soviet campaign" over the incident.

The report, the third in three days carried by Tass, continued to avoid any admission that the Korean Air Lines 747 had been shot down by Soviet interceptors. But the report went beyond previous Soviet statements in acknowledging that the aircraft previously identified only as an "intruder plane" was in fact the South Korean airliner.

Tass accused President Ronald Reagan of seeking to convince public opinion "that the U.S.S.R. allegedly is guilty of loss of life" while failing to answer basic questions about the flight.

Those questions, Tass said, were how the plane came to be 300 miles (about 480 kilometers) from its flight path, and why U.S. and Japanese ground controllers, knowing that it had strayed into Soviet airspace, failed to take measures against this "rude violation of Soviet sovereignty."

Tass also charged that it was not coincidental that in the past five years South Korean planes had intruded over two of the Soviet Union's most sensitive military zones.

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AMERICAN TOPICS

A Twice-Weekly Survey Compiled by Our Staff

Disaster Coverage

Don Rather, the anchorman of CBS television news, immediately postponed his vacation when he learned that the Soviet Union had shot down a South Korean airliner. President Ronald Reagan, on the other hand, delayed interrupting his

transpiration; Beverly Sills, general director of the New York City Opera; Mayor Diane Feinstein of San Francisco; Gloria Steinem, editor of Ms. Magazine; and Jeanne J. Kirkpatrick, U.S. representative to the United Nations.

Americans

Kennedy rocking chairs are still in demand. The original was designed to accommodate President John F. Kennedy's back by his doctor, Janet G. Travell. Copies of the padded rocking chair are assembled and sold (for \$325) by Norma Arata, a former White House secretary whose late husband was the White House upholsterer under Mr. Kennedy and President Lyndon B. Johnson. Mrs. Arata's Kennedy rocking chairs are selling well: Senator Edward M. Kennedy owns one; Willy Brandt, the former West German chancellor, has one; and so does Pope John Paul II, who, said Mrs. Arata, "keeps it in his bedroom—the apostolic delegate told me so."

Deregulators Retire

The presidential task force set up to abolish government rules unduly hampering business has put itself out of business after cutting back regulations governing trade, energy, agriculture, automobiles, prescription drugs, environment and banking. The task force will save consumers and business \$150 billion over the next decade, according to the task force's counsel, C. Boyden Gray.

The task force, set up to carry out a major electoral pledge by Mr. Reagan, was headed by Vice President George Bush, but Mr. Gray, 40, a Bush aide, is credited with slicing the regulatory red tape.

Critics say the deregulators have turned back the clock on cleaning up the environment and improving safety conditions. One of them describes Mr. Gray as "a fine example of the fox guarding the chicken coop. He worked in private practice representing the auto and many other industries, and now he plays a major role in deciding which regulations will survive or be scrapped."

The National Association of Manufacturers, in contrast, complains that deregulation is losing its momentum. Citing resistance by the courts and Congress to more liberalization, a spokesman said further deregulatory legislation is needed to prevent a new president from reversing the changes made by this administration.

Mr. Reagan became more visible Saturday when he invited television cameras for the first time to transmit live his weekly radio address. He emphasized what he called the brutal unpredictability of Soviet society.

Do-It-Yourself Policy

Governor Mario M. Cuomo of New York, often mentioned as one of the nation's most promising Democratic politicians, is accused by some politicians in Albany, the capital, of a reluctance to delegate. Mr. Cuomo acknowledges that he likes to do things himself, but he first spends a lot of time debating key issues with his top advisers (including his son Andrew Cuomo, 25, who ran his father's campaign for governor and now is a dollar-a-year aide).

Back to School

Computers, curricula and costs are on the minds of teachers and students as the school year starts.

A new federal study shows that instruction in computer programming is growing much faster in affluent, big city secondary schools than in rural areas and that it remains more popular among boys than girls.

Only about 5 percent of college undergraduates now major in the humanities, down from 12 percent a decade ago, as more students choose career-oriented programs.

Colleges will cost 10 percent more on the average this year. At the most expensive schools, all in the northeastern United States, a year's study costs nearly \$15,000. They are the Massachusetts Institute of Technology, Bennington, Harvard-Radcliffe, Yale, Princeton, Tufts, Brown and Sarah Lawrence.

In working directly with many staff members, Mr. Cuomo has dispersed much of the power that was concentrated in the office of the governor's secretary under his predecessor, Hugh L. Carey. But critics say the result is an impression of disorganization and of uncertainty about whom to approach for a decision.

Defending his do-it-yourself style, Mr. Cuomo says he enjoys being directly involved in day-to-day work, which he says opens him to more advisers, more viewpoints. And he has had an immensely successful first few months in office—including quick completion of the state budget and breakthroughs on several tough issues in the Legislature.

The most influential American women, according to Harper's Bazaar magazine, are Nancy Reagan; Jacqueline Kennedy Onassis; Barbara Walters, the television interviewer; Sandra Day O'Connor, the Supreme Court justice; Coretta Scott King, the civil rights leader; Elizabeth Dole, secretary of

transportation; Beverly Sills, general director of the New York City Opera; Mayor Diane Feinstein of San Francisco; Gloria Steinem, editor of Ms. Magazine; and Jeanne J. Kirkpatrick, U.S. representative to the United Nations.

But presidential aides finally prevailed on Mr. Reagan—who tells intimates that he can run the country's affairs as well from his mountaintop ranch in California as from the Oval Office—to return to Washington to preside over crisis meetings.

As the media critic of The Washington Post, Tom Stiles, reported: "The president's face was conspicuous by its absence during the daylong, unfolding coverage of the tragic and potentially inflammatory incident." While White House spokesmen read strongly worded presidential statements, the only TV picture of the president, shown after hours of dramatic developments and commentary, was long-range camera footage of him riding a horse.

Cable television network news services provided virtually nonstop coverage, and the three main networks constantly interrupted normal programming as the gravity of the story emerged. They broadcast live the statement by Secretary of State George F. Shultz, who expressed more shaken than the widow of Representative Lawrence P. McDonald, the Georgia Democrat who was among those on the downed airliner. But all the networks were frustrated by the absolute lack of pictures from the scene or anywhere near it.

The event has provoked more media coverage than any story since the assassination of President Anwar Sadat of Egypt.

Mr. Reagan became more visible Saturday when he invited television cameras for the first time to transmit live his weekly radio address. He emphasized what he called the brutal unpredictability of Soviet society.



Television viewers saw Challenger's crew playfully attack Dr. William E. Thornton with various tools after taping him to a wall. Dr. Bill, as he is known, has put his colleagues through a series of medical tests on space motion sickness.

Shuttle Crew Stars in TV Show on Space Sickness

In Broadcast From Challenger, Doctor Explains Experiments on Colleagues

By Lee Dembart

Los Angeles Times Service

HOUSTON — In one of the most unusual astronaut television broadcasts since the lunar landings, Dr. William E. Thornton presented a detailed account of the experiments he is conducting in orbit to solve the riddle of space sickness.

Dr. Thornton, 54, who was added to this third flight of Challenger, the eighth in the U.S. space shuttle program, to study space motion sickness, indicated that it has affected some of the five astronauts now flying 138 miles (223 kilometers) above the Earth.

In keeping with space agency policy, he would not say who has been sick. But he said, "There have been in it crew this size the usual range of symptoms that occur during adaptation," including upset stomach, drowsiness and malaise.

"I would say that I learned more in the first hour and a half of orbit here than I had by all of the literature research that I'd done and all the active work in the past year,"

Dr. Thornton told reporters a few hours before he put on his television show from space on Saturday.

Challenger, launched last Tuesday, was due back in the United States Monday.

During the broadcast, Dr. Thornton indicated that he sided with the sensory-conflict theory of space sickness.

"As you know, we always have to be aware of which way is up and down on Earth, but here, there is no up and down, and so the nervous system has to adapt to that," he told viewers.

With that he showed Lieutenant Colonel Guion S. Bluford 2d walking on a treadmill while vital signs of his neurological system were recorded.

Next was Lieutenant Commander Dale A. Gardner, who was wearing a foot-to-high stocking with special tapes on it to measure the movement of body fluids from the leg upward.

Commander Daniel C. Brandenstein, the mission pilot, next modeled electrodes that pick up eye motion. "The eyes give us a particularly good insight into the way our balance mechanism works," Dr. Thornton explained.

Finally, Captain Richard H. Truly, the mission commander, was brought in to demonstrate how Dr. Thornton is studying the nervous system directly. "Commanders always have very large brains," the doctor said.

Electrodes were attached to Captain Truly's scalp to pick up brain waves.

"This will allow us to spot any functional changes," Dr. Thornton said.

At that point, Commander Truly took the microphone and praised Dr. Thornton as "the hardest working individual on board."

"We're not quite through, however, with the TV show. Over the months we've had to put up with what we've called Bill's chamber of horrors. So we have a little measurement program of our own."

He picked up a hammer, the other crewmen picked up a wrench, pliers and a screwdriver, and they advanced on Dr. Thornton, who in

Scholars Praise Reagan As Better Than Carter In Wielding His Power

By David S. Broder

Washington Post Service

CHICAGO — Political scientists are submitting their first report cards on the presidency of Ronald Reagan, and the incumbent is beating his predecessor, Jimmy Carter, by an even wider margin than he did in the election of 1980.

Papers and panels at the annual meeting of the American Political Science Association drew a picture of a Reagan White House with notably high levels of policy agreement, staff coordination and political acumen.

By contrast, the Carter administration was almost entirely lacking in the ingredients for success, according to scholars who are starting to sort through its private records.

Erwin C. Hargrove of Vanderbilt University in Tennessee, who is at work on a study of the domestic aspects of Mr. Carter's presidency, sounded a typical note when he said Friday that Mr. Reagan had created "a sense in the country that he is addressing fundamental historical questions." He said Mr. Reagan had used that advantage to give coherence to "the strategy and tactics of his presidency."

By contrast, Mr. Hargrove said, unpublished interviews by scholars at the University of Virginia with all the key figures in the Carter White House draw a portrait of a president "who did not think strategically about the relationship between policy and politics."

"Even though he got a lot of political advice, he was reactive rather than creative in his approach," Mr. Hargrove said.

Many of the political scientists who presented papers made it clear that their professional admiration for Mr. Reagan's skill in wielding presidential powers did not extend to his policy objectives.

Michael E. Kraft of the University of Wisconsin-Green Bay and Norman J. Vie of Carleton College in Minnesota asserted that Mr. Reagan's success in changing the country's environmental policies "is particularly striking when compared to the picture drawn by students of the American presidency... of a 'no-win presidency.'"

Even though they dislike many of his policies, they said, "Reagan's revolution" is predicated on a radical reassertion of presidential powers and prerogatives.

Three comparative studies of decision making in the Reagan and Carter White Houses, based on extensive interviews with senior officials of both administrations, are highly flattering to Mr. Reagan.

Charles E. Jacob of Rutgers University in New Jersey, who said Mr. Reagan's economic policies "are troublesome to the conscience of an egalitarian liberal," nonetheless credited Mr. Reagan with achieving "revolutionary change" in that area.

By contrast, he wrote of Mr. Carter: "One is led to the overriding conclusion that while the experience, administrative style and personality of this president surely did not create most of the challenges to stability, they do go a long way to explain the limited capacity to cope with these challenges."

The Rev. Colin Campbell of Georgetown University in Washington, in a study of the cabinet's role under Mr. Carter and Mr. Reagan, said that Mr. Carter had "seemed to follow sentiment more than design in setting up his White House."

Mr. Carter's decision-making "was short-circuited by two failures," Father Campbell said. "First, Carter in his personal encounters with aides whom he did not know well, avoided overt conflict. Second, the advisers he trusted implicitly, mostly Georgians, demonstrated near-paranoia about political appointees not in the charmed circle and career officials."

According to Father Campbell, Mr. Reagan "has used his cabinet and White House exceedingly well." He added that "we should not be lulled by Reagan's inattentiveness to detail and nuances" and that "as president, Reagan has imposed exceptional discipline on his administration."

Father Campbell and John H. Kessel of Ohio State University, who did his own interviews with 44 members of the Reagan White House staff, found effective coordination of policy and operations among the four leading sides of the Reagan administration, James A. Baker 3d, Edwin Meese 3d, Michael K. Deaver and William P. Clark.

"The White House staff was not preventing President Reagan from pursuing his preferred policies," Mr. Kessel said. "Their conservatism mirrored Reagan's own."

Mr. Kessel found that there was about 50 percent more internal communication within the Reagan staff than there had been on the Carter staff and said that the reason "is the existence of coordinators whose counterparts did not exist in the Carter White House."

3 Bombs Explode in Spain

Reuters

PAMPLONA, Spain — Three small bombs exploded early Sunday at buildings of the University of Navarre in northern Spain, causing damage but no injuries, police said. No one claimed responsibility, but responsibility for a bombing at the university in June 1981 was claimed by Basque separatist guerrillas.

Opposition Parties Testing Freedoms As Sandinists Consider Election Law

By Stephen Kinzer

New York Times Service

MANAGUA — In a rundown movie theater during the last weekend in August, 90 members of the Democratic Conservative Party gathered for the first opposition political convention held in Nicaragua since the Sandinist National Liberation Front swept into power four years ago.

The delegates were choosing men and women to represent Managua at the party's national convention in November. But they also approved resolutions demanding freedom for political prisoners, an end to "brutal censorship" of the press and a halt to the "anti-religious campaign" they said the Sandinist government was waging.

In a clear reference to the Sandinists, the Democratic Conservatives pledged to do whatever possible to prevent the consolidation of "totalitarian Marxist-Leninist regimes which are in the Soviet orbit and are rejected by the immense majority of our people."

As Nicaragua moves toward the introduction of a new law governing political parties and toward national elections, which the Sandinists have promised for 1985, opposition political parties are testing the limits of their freedom.

That the convention was held without incident was considered an encouraging sign. So was the fact that the Social Christian Party was able to hold a meeting of 200 activists last Wednesday in Chinandega.

Under provisions of the "state of emergency" imposed in March 1982, most civil liberties, including freedoms of speech and assembly, are restricted. But over the last few weeks, opposition leaders said, there has been a noticeable thaw in the political climate.

"The meetings that are going on these days would never have been permitted three months ago," said Adan Flores, head of the Social Christian Party. "But we remember the years of dictatorship, when there were periods of looseness interspersed with repression. Perhaps that same cycle still exists. We shall see."

Although politicians appear to have been given some room to maneuver, 35 activists from the Democratic Conservative and Social Christian parties are in jail. Some have been accused of counterrevolutionary activity, but others have not been charged with any crime. Several have been recognized as "prisoners of conscience" by Amnesty International.

Three weeks ago, the Sandinist-controlled Council of State, which reviews laws proposed by the governing junta, approved a Political Party Act after six months of vigorous debate. Opposition members

were able to gain revisions that they said made the law much less restrictive than the one originally proposed.

Under the new law, which needs the approval of the junta to take effect, political parties are guaranteed the right to hold private meetings and public rallies, maintain offices anywhere in the country, raise funds and distribute literature. They may also criticize the government and propose "constructive solutions" to problems.

Most important in the view of the opposition, parties have the right "to aspire to power." Their platforms cannot be restricted as long as they respect "the basic principles of the Sandinist revolution."

Still unresolved, however, is the crucial question of what kind of elections the Sandinists will permit.

Sandinist leaders have given few hints of their plans. In a recent speech, Sergio Ramirez Mercado, a junta member, asserted that Nicaraguans would not be asked to select a candidate "as if they were choosing a brand of soap or deodorant."

Instead, he said, they should expect an electoral system "not manipulated by public relations agents" so that they could vote "to improve the country, not to favor multinational financial interests or military-industrial trusts."

Some diplomats and Nicaraguans believe that the Sandinists have not decided how to deal with the question of elections. Independent political analysts said a presidential election might pose a problem because it would require the nine Sandinist leaders to select a single person to lead their party.

The opposition, however, is even more ridden with conflicts. "They can't get together on anything," a Western diplomat said. "They are very divided and disorganized, and the parties are constantly bickering among themselves."

U.S. Official Cancels Trip

Langhorne A. Motley, the assistant U.S. secretary of state for inter-American affairs, canceled a scheduled visit Saturday to Nicaragua after leaders of the Sandinist government reversed their agreement to meet with him. The Washington Post reported Sunday from Washington. No reason for the reversal was given, a State Department spokesman said.

Nicaragua Cheered by 'Wipe Out' Of 'Yankees' in a 9-Inning Battle

New York Times Service

MANAGUA — Nicaragua has defeated what it considers its most powerful enemy, the United States, in a head-on clash in Latin America.

The triumph came at the Pan American Games in Caracas, where Nicaragua's national baseball team defeated the Americans, 9-5, and captured a silver medal. Cuba won the gold, and the United States got the bronze. The Games ended last week.

"We Wipe Out the Yankees!" screamed a headline in the Sandinist newspaper Barricada.

Luis Cano Arana, a left-handed pitcher, held the Americans scoreless through eight innings. Exuberant fans in the Venezuelan stadium could be heard chanting: "Yankees, no! Nicaragua, yes!"

Guillermo Cortés, a Nicaraguan sportswriter, wrote: "It was hard not to think of the warships and thousands of American soldiers closing in on our coasts while Cano blanked the gringos through eight innings."

Nicaragua's silver medal qualifies the team for the 1984 Olympic Games, where baseball will be included for the first time. Mr. Cortés reminded his readers that the 1984 Olympics "will be held in the very heart of the enemy" — Los Angeles.

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Herald Tribune

Published With The New York Times and The Washington Post

A Measured Response

To the grievous and persuasive charge of unprovoked murder in the air, the Soviet Union offers three responses:

- 1) We did not do it, having fired only "warning shots" along the flying route of the plane.
- 2) If we did it, that was because the intruding plane could not be identified, behaved suspiciously and ignored our warnings.
- 3) We should have done it, because we knew this was a "pre-planned" American intelligence mission under civilian cover.

In rational discourse, that is a bald and unconvincing tale. No. 1 evades the evidence and is contradicted by No. 2 which is contradicted by No. 3.

But in the library of Soviet lies, this response is noteworthy as at least an indirect confession of responsibility. Whatever they have discovered about the affair, the Soviet leaders are admitting an unhealthy paranoia about their borders, displaying the aggressiveness born of their insecurity, and exploiting a tyranny that leaves them unaccountable to anyone.

That Soviet condition is the tragedy behind the tragedy in the Sea of Japan. Even in legitimate rage over the wanton killings, the United States and other nations need to focus on the fact that enormous power is wielded by a secretive, uneasy and insufficiently accountable regime. Counterstrength and vigilance are obviously essential.

But so are relationships that pierce secrecy,

and that enhance security and accountability. For once, President Reagan and his advisers are showing an admirable understanding of that delicate balance. They have used their impressive powers of intelligence and publicity to pursue the truth and to stir a proper revulsion around the world. Now they are groping for a measured, constructive response.

There is no profit in following the Soviet example of warding off demons by shooting yourself in the foot. You do not protect civilization by breaking off arms control negotiations that could bring the world greater security. You do not pierce the obsessive Soviet secrecy by slandering other diplomacy.

And you do not make the Soviet Union more accountable by drumming it out of the world community.

A measured response requires proper measure of the Soviet offense: a callous attack on innocent international travel and commerce on which the Soviet Union also depends. An aroused world should now give notice that Soviet aviation and shipping cannot enjoy innocent passage while those of other nations are put at risk by murderously excessive Soviet security operations.

Mr. Reagan appears determined to lead such a campaign even as he persists in wary pursuit of other agreements with the Kremlin. To build on tragedy in such a way is the meaning of civilization.

—THE NEW YORK TIMES.

Justice in Zimbabwe

A travesty of justice appears to be unfolding in Zimbabwe. For 13 months the government of Prime Minister Robert Mugabe has detained six white air force officers accused of complicity with South Africa in a major sabotage incident last year. A black Zimbabwean judge finally acquitted them, ruling that the prisoners' confessions, which constituted the main evidence cited, had been obtained through torture and intimidation and that the men had been denied access to their lawyers.

Mr. Mugabe, who had let it be known he did not believe the prisoners should be freed on "technicalities," was true to his word and had the officers released within minutes.

The incident is but one in a series that has cast a cloud over the optimistic expectations that many of Zimbabwe's foreign friends had entertained for it. Mr. Mugabe has come under intense criticism for atrocities that his armed forces allegedly have committed against civilians in tribal areas faithful to the opposition leader Joshua Nkomo.

Mr. Nkomo's own status, now that he has returned from exile, is uncertain. Mr. Mugabe has made no bones of his intention to replace Zimbabwe's multi-party democracy and open economy with a one-party socialist state.

Th sure, it would be misleading and unfair to see the affair of the officers strictly in the context of internal political developments. Zimbabwe is the very vulnerable target of a brutal destabilization campaign of economic pressure, political subversion and sabotage being carried out by South Africa. Zimbabwe has been careful to avoid provoking Pretoria by harboring guerrillas. Its offense, in South African eyes, seems to lie simply in standing up boldly against apartheid and in offering a next-door example of multi-racialism. Unquestionably, Zimbabwe cannot ignore South Africa's ugly contributions to its troubles.

Zimbabwe does not lighten its burden, however, when it responds in ways that erode trust among its constituent races and tribes and lead its foreign friends, including the United States, to question the basis on which they offer their support. Mr. Mugabe has his own complaints about U.S. policy for having the effect, in his view, of encouraging South Africa "to become more aggressive." He is due to come to Washington later this month to discuss this and other issues. It would improve the prospects of his visit if he found a way, first, to return the officers' case to the courts.

—THE WASHINGTON POST.

An Honorable Man

Senator Henry M. Jackson, who died Thursday night at his home in Everett, Washington, showed a consistency and clarity of purpose unusual in politicians. First elected to the House in 1940 and then to the Senate in 1952, he was one of the few members of the current Congress to have served before Pearl Harbor. From those days, Mr. Jackson drew the lesson that freedom depends on preparedness and military strength.

He was interested from the beginning in nuclear energy and atomic weapons, and he believed that the United States must never let the Russians gain advantage. That theme runs straight through his service on the Joint Committee on Atomic Energy in the 1940s. It explains the defense commitments he extracted for supporting the limited test ban treaty and the conditions he demanded for supporting the first strategic arms agreement — neither would have been ratified without that support — as well as his doubts on SALT-2.

He was interested as well in natural resources and the environment. He turned down the position of undersecretary of the Interior in 1970, and he was a force behind environmental laws in the 1970s. As chairman of the Senate Interior Committee, he skillfully balanced environmental and economic interests.

On domestic issues, he started off as "a 100 percent New Dealer" and never wavered in his faith that an active federal government could improve the lot of the ordinary person. But he always understood that government could abuse the civil liberties of its citizens. In his first years in the Senate, he stood up to Joe McCarthy when few others dared.

He ran unsuccessfully for the Democratic presidential nomination in 1972 and 1976. But he gained in his career a more elusive victory: Ideas he championed have held up over time. In the last four decades, Americans and their government have generally advanced freedom, increased prosperity and improved the quality of life. In dozens of ways, Henry Jackson served those goals.

In the process, Scoop Jackson remained unpretentious and good-humored. He lived modestly and always gave his outside earnings to charity. He was one of the few public officials in the 1970s to send his children to public schools in the nation's capital. He took on his Senate colleagues and got them to limit their outside earnings. He leaves behind an example of honorable and effective public service, responsive to events but informed by conviction and steadiness of purpose.

—THE WASHINGTON POST.

Other Opinion

The Russians' Worst

The incident exhibits all that is worst in the Soviet system: the morbid paranoia, untruthfulness, obsessive secrecy, and brutal disregard for human suffering resulting from the pursuit of political aims of doubtful value. Arms control talks must continue, since an even higher interest is involved.

—The Times (London).

Tass has admitted that the Russians fired warning shots at the Korean Airlines jetliner. At the same time, it asserts that the airliner's intrusion was a "provocation" and takes a stance of direct confrontation with the Reagan administration. Tass said it is possible to "conduct intelligence activities with impunity by using a civilian airplane as disguise."

This is outrageously foolish reasoning.

—The Yomiuri Shimbun (Tokyo).

FROM OUR SEPT. 5 PAGES, 75 AND 50 YEARS AGO

1908: Better Than 'Peter Pan'

LONDON — "What Every Woman Knows" is the title of Mr. J.M. Barrie's new comedy. It is his masterpiece. Even "Peter Pan" must now take second place. It was produced for the first time last night at the Duke of York's Theatre and was a triumph for both the author and the splendid cast of actors who interpreted it. This delightful comedy came to London unheralded. There were no brass bands in advance. It was given on its merits, and they were enough to make it one of the theatrical successes of the decade. "What Every Woman Knows" is what is revealed in the last line of the play, that is, that woman was not made out of Adam's rib, but out of his funny-bone.

1933: Constitutional Dangers

NEW YORK — The dangers confronting constitutional government in the United States were cited by Dr. Nicholas M. Butler, president of Columbia University. He advanced four proposals to strengthen and improve the functions of the federal government: 1) enact a statute outlining the procedure of states voting on constitutional amendments; 2) establish a council of foreign relations; 3) improve relations between the executive and legislative branches; and 4) abolish the direct primary, with the nomination of candidates by conventions. Discussing the third point, Dr. Butler said, "Congress has assumed a superiority which does not belong to it."

The 747 Incident: After the Tragedy, Lasting Damage

By Murray Marder

WASHINGTON — Soviet explanations notwithstanding, the shooting down of an unarmed South Korean airliner with Americans aboard provides a classic example of how a single, ill-conceived action by the Soviet Union can rebound devastatingly on the American psyche and boom on the Kremlin.

Instant, grievous damage to those who are committed to negotiations with the Soviet Union already has occurred. And the most intractable hard-liners, who insist that the Russians are beyond trusting, have received an injection of political Adrenaline.

Immediately after the incident, the champions of moderation inside the Reagan administration — notably at the State Department — maintained that the temper in the United States was bound to subside, and that the imperatives that drive the country to seek negotiated compromises with the Soviet Union are still operative. But events now threaten to move

beyond the control of the foreign-policy-making establishment. To a large extent, the climate of public opinion in the United States and the political realities facing President Reagan will shape the response, rather than the advice of diplomatic specialists.

Instinctively, President Reagan has positioned himself to run with the tide of outrage — or even whip it higher. By excoriating Soviet behavior as terrorist and inhuman, Mr. Reagan has assured that no one will be able to outflank him on the right — at least in rhetoric.

The larger tragedy is that we are witnessing a revival of passions and perceptions that all too often have frozen the two superpowers into immobility. Since World War II the politics of American-Soviet relations has revolved around two conflicting perceptions in the United States. The first is that the Soviet Union, al-

though a society with values antithetical to those of Americans, nevertheless has a government with which it is possible to negotiate, and to work out mutually advantageous, binding agreements. The second is that the Soviet Union, in President Reagan's own words, is an "evil empire" that is prepared to violate every pledge that no longer suits its purposes.

Americans are generally unaware, however, that many Russians have a "devil image" of the United States, and that each country tends to nourish the other's worst suspicions. For as much as the two nations have learned from their global competition, each has a bent for miscalculation, and neither has been adept at forecasting the long-term consequences of their actions on the other.

It is totally improbable that the decision made by Soviet officials to follow standing orders to force down, or shoot down, any intruding aircraft

was made with any realistic understanding of the impact the action would have on U.S.-Soviet relations. To the American mind, the decision was political madness. But the odds are that from the Soviet perspective, the decision was almost a reflex action, perhaps even with little thought that the airliner had taken off from the United States and included American passengers.

In either case, the Soviet mind the violation of Soviet airspace in a region of acute sensitivity hits the rawest nerve endings, especially where the United States is concerned. It evokes bitter memories of helplessness and weakness dating back to American U-2 spy plane flights of the late 1950s, when neither Soviet aircraft nor missiles could fly high enough to reach the intruders, or could prevent penetrations of Soviet borders by other American or Western aircraft.

When the Soviet Union takes actions that impinge on American interests, Americans assume that the Kremlin has made a judgment that gives paramount attention to the American stake. But that is by no means the way the Soviet system works, nor, for that matter, does the American system work that way. Each nation has its fixations on its own direct interests, its own memories and its own priorities.

In this case, Soviet institutional memory was more likely to have been focused on the humiliating penetration of 1,000 miles of Soviet territory by the South Korean airliner that landed on a frozen lake near Minsk in 1978. In Soviet eyes, South Koreans are extremely suspect of provocative actions under the shield of American power, and the entry of another off-course South Korean airliner would have made Soviet military commanders bristle with righteous indignation.

But that indignation is more than matched by the American emotions unleashed by the downing of the civilian jetliner last week. Even if the Soviet Union's accusation that the airliner was on an intelligence-gathering mission were true, the Russians appear not to comprehend that Americans, nevertheless, would look on the killing of 269 people as a wanton act.

The misjudgment is a recurring one. The Soviet Union repeatedly has misconstrued how its actions will rebound on the American scene, especially on matters of propriety, morality and ethics. In doing so, it often undercuts those Americans most committed to negotiations with it.

The greatest misjudgment in recent years, of course, involved the invasion of Afghanistan in 1979. Soviet leaders knew that the invasion was bound to have some repercussions, but that was thought to be a risk worth taking, a risk in which any damage could be repaired. Soviet sources subsequently acknowledged, by the crushing damage inflicted on American soft-liners at all levels by the Afghan venture.

It has taken four years to recover only a small fraction of the lost ground in American-Soviet equilibrium, through limited negotiating gains recently achieved. In American eyes, that makes it even more incredible that the Soviet Union would now jeopardize newly won advances.

But this is where the United States misreads the Soviet Union. For in the Kremlin's perspective, the U.S.-Soviet accord on grain sales and marginal agreements on other subordinate issues do not add up to a thaw between Washington and Moscow that must be preserved at all costs.

On the contrary, the Soviet Union is at least as suspicious of the Reagan administration as the administration is of the Kremlin.

Two American specialists have underlined this point in a new analysis in Foreign Policy quarterly. The Soviet leadership sees the Reagan administration "as viscerally and profoundly hostile," writes Lawrence T. Caldwell of Occidental College, a recent scholar-in-residence at the Central Intelligence Agency, and Robert Legvold, senior Soviet specialist for the Council on Foreign Relations.

The trends in U.S.-Soviet relations, they say, "are far more discouraging and potentially dangerous than is understood by many American commentators."

The administration's military buildup, its commitments to ideological struggle with the Soviet Union and its military assertiveness, the authors say, all convince Soviet officials that Washington now rejects "the Soviet Union's right to exist and... its place in international politics."

The Kremlin sees itself as the innocent, aggrieved party in the negotiations aimed at limiting nuclear missiles. At European and intercontinental range. As the authors point out, the Russians are convinced that the administration's negotiating positions is a sham, put forward purely for political purposes.

Unless the Reagan administration "changes its stance more than seems likely," they say, there will be no agreement on intermediate-range or strategic nuclear missiles before the 1984 elections.

But the shooting down of the South Korean airliner has overtaken even these pessimistic assessments. It will become immeasurably harder to bring any negotiation with the Soviet Union to a successful conclusion.

No agreement that the wisest expert could contrive between the two superpowers can surmount total suspicion. But in the climate that exists now, only extremists flourish.

The writer is a diplomatic correspondent for The Washington Post and is working on a book about conflicting Soviet and American perceptions.

Moscow Again Has Blundered

By James Reston

WASHINGTON — The Russians have done it again. Almost every time there seems to be a chance of improving United States-Soviet relations, Moscow makes some appalling blunder.

It is hard to figure the Russians out. In the last few months, Washington and Moscow had been fussing with one another about trade policy and arms control policy. President Reagan opposed his allies on selling gas-pipeline facilities to Moscow and then withdrew his objection but promised to sell the Russians nine million tons of grain for each of the next five years.

It was at this point, when there seemed to be the possibility of a compromise in U.S.-Soviet trade and arms control relations, that the South Korean jumbo jet drifted into Soviet skies and was either shot down by Soviet fighters, as Secretary of State George Shultz insists, or merely "disappeared," as the Russians insist.

The murder of the passengers and crew of the South Korean plane has raised some fundamental questions about the Soviet Union. Did the Soviet fighter pilots have authority from the government to use their own judgment to fire the missiles that destroyed the South Korean jet? Or, following the plane in Soviet airspace for more than two hours, and having come close enough to see its markings and wear its pilots, did they have orders from their regional command on the ground or from their political masters in Moscow to destroy it?

Or was there some other human error, even some mad pilot or some crisis on the plane that made the pilot turn north from the normal route into the sensitive security areas where he was intercepted and shot down? This we would like to know, and the Russians will have to explain before the United Nations Security Council.

The United States was quite right to bring these questions before the Security Council and ask for an official inquiry and condemnation of the Soviet action. There is no way that the Security Council can pass a resolution of condemnation, for the Russians will obviously veto it, but they cannot veto the condemnation and conscience of the world against the savage destruction of the plane.

This, in a way, is the tragedy of the Soviet Union. It is terrified of freedom. Somehow, it feels that maybe the South Korean jet would have learned something by flying over its security areas along the Sea of Japan, but U.S. satellites know much more about what is going on there than any passenger plane could possibly learn.

What did the Soviet Union gain by destroying this plane and killing its people? It gained the hatred of the civilized world. It assured the success in Washington of all the people who oppose a U.S.-Soviet nuclear arms compromise and insist on putting U.S. cruise and Pershing 2 missiles in Europe at the end of this year. And it disarmed those who had hoped that maybe the United States and the Soviet Union could work out a nuclear arms compromise in Geneva.

The destruction of the Korean plane also questions some other assumptions by some people in the Congress and even in the executive branch and in the press who had hoped for a rapprochement between Moscow and Washington.

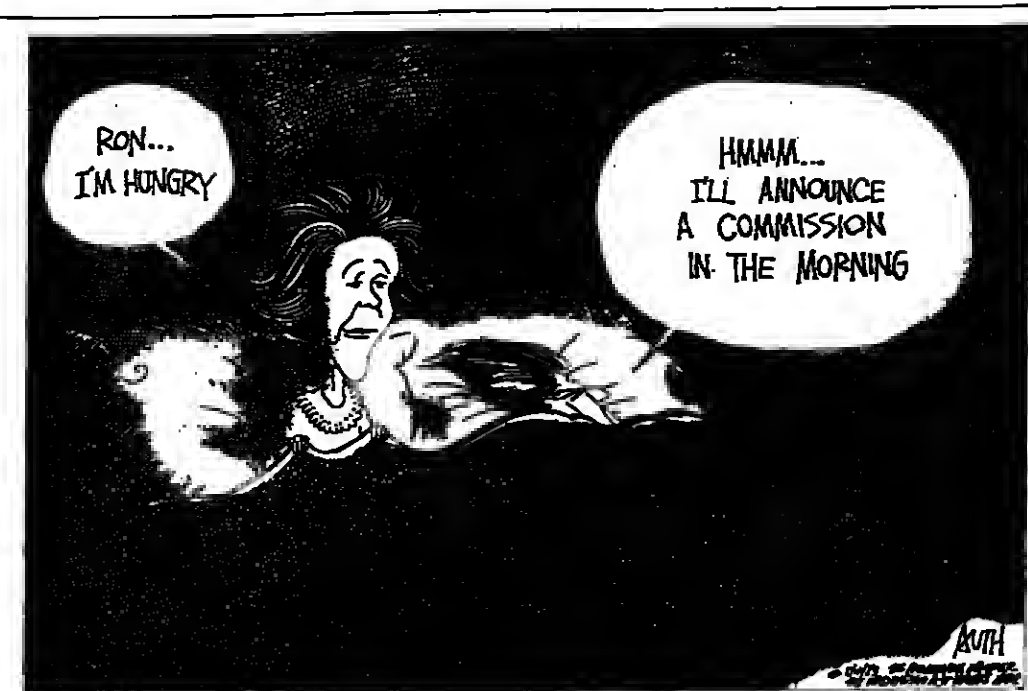
This was that the Russians, and particularly their new leader, Yuri Andropov, were basically cautious people, willing to intervene in wars of liberation, as they call them, in Central America, Africa and the Middle East; but that they were trying to avoid dramatic confrontations with the United States and its allies.

On this assumption, Mr. Reagan has been looking for some kind of vague agreement with Moscow and the allies, and modifying his rhetoric about Soviet philosophy. And then, suddenly, for whatever crazy reason, the Russians committed this tragic horror against the Korean plane.

Unfortunately and ironically, this has created the very thing both sides fear the most; the realization that they differ so much about the sanctity of borders and human life that there is no point in trying to reach a compromise on nuclear weapons.

Later on, the sense of outrage about the Korean plane disaster may settle down, but it will take some time. It is one thing for the Russians to put pressure on Poland, or even to invade Afghanistan, but to shoot down a civilian plane with the loss of 269 lives, and then not to explain why, has sent a shudder through the world, and it is not likely soon to be forgotten here.

The New York Times.



The Case for One More Commission

By Hobart Rowen

WASHINGTON — Slowly, but almost inevitably, a new idea is gathering force in Washington: a blue-ribbon, bipartisan commission — patterned after the Social Security, MX, and Central American commissions — to deal with the enormous federal budget deficit.

The commission idea emerges out of the frightening prospect of five years, and a recognition that the Reagan administration will not propose, and Congress by itself does not have the political courage, to raise taxes and cut spending sufficiently — at least not until after the 1984 presidential election.

One of the most knowledgeable and influential congressional Republicans, Representative Barber Conable of New York, said candidly that "in one way or another, we are going to have to deal with this issue outside the electoral process."

Mr. Conable fears that current optimism about economic recovery is disguising the real sacrifices the public will eventually be called on to make through tax increases and social program reductions.

"We're a crisis-activated governmental system," he said, "and there's no sense of crisis at this point. Yet the crisis becomes more severe if we don't deal with fiscal imbalance fairly soon." U.S. and foreign financial markets now must operate on the assumption that politicians will not begin to deal with these critical issues before 1985. Until then, record high interest rates that stifle business-

men's incentive to invest will hamper the U.S. and world economies.

The bipartisan commission idea offers some hope that a responsible solution might be put in place as soon as a new or re-elected administration takes office early in 1985. The idea appears to have been floated first by Horace Busby, a business consultant who was an aide to Lyndon Johnson.

Mr. Busby, a shrewd political observer, pointed out that given the fairly even division of power between Republicans and Democrats, "anything that comes through the system, anything that is done in Washington, has to be done on a bipartisan basis."

So long as the Republicans control the White House and the Democrats control the House of Representatives, Mr. Busby said, "there is no longer any place for an obstructionist role on the part of either party."

Alan Greenspan, who chaired the successful Social Security commission, used much the same logic in calling for an intergovernmental meeting to defuse the interest-rate time bomb caused by continuing big deficits.

Mr. Greenspan's summit plan, a variation of a commission proposal, would bring together President Reagan, House Speaker Thomas O'Neill, Senate Majority Leader Howard Baker, and the chairmen of key committees of Congress in a

series of private conferences "for the purpose of agreeing to a single solution to the deficit problem."

Mr. Busby focused on the need to revamp the tax system (he favors taxing consumption rather than income). A Washington lobbyist, Charles E. Walker, extended Mr. Busby's idea, writing 300 congressional and business leaders on Aug. 15 to describe his plan for a congressionally created Commission on Spending and Taxes. It would report back to Congress in January 1985 with tax and spending proposals to deal with the deficit.

In a telephone interview, Mr. Walker conceded that a blue-ribbon commission was not needed to come up with new ideas on how to cut the budget deficit. "There are plenty of ideas around on how to do it," he said. But such a commission, composed of key congressional committee chairmen of both parties, former Treasury secretaries, a couple of distinguished economists and political figures of opposing political faiths, could provide the necessary heat-shield to get unpopular measures through Congress.

Is there danger in yet another commission? Is there a risk of a degeneration into government by commission? Mr. Busby and Mr. Walker say no, arguing that with frayed patience, some sort of political truce is inevitable and necessary. And there is nothing new in the commission idea. It was a citizens commission, after all, that wrote the U.S. Constitution.

The Washington Post.

On Labor Day, Labor Is Footing the Bill

By Joseph Kraft

WASHINGTON — Lane Kirkland, the head of the AFL-CIO, likes to paraphrase a famous scene in the World War II movie "Casablanca." The protagonists are Rick, an American who runs a raffish cafe in French Morocco, and Louis, a French police inspector who suspects Rick of helping anti-fascists defy the German occupation of France. Here is the Kirkland version:

Louis: "What brought you to Casablanca, Rick?"

Rick: "I came here to take the waters."

Louis: "But there are no waters here in Casablanca."

Rick: "Then I must have been misinformed."

That exchange is brought to mind this Labor Day by the way workers and their unions are being treated around the world. For, in the unwinding of global inflation, labor has emerged as a public enemy. In the communist world, the capitalist world and the Third World as well, huge pressures are being mounted to make labor give back gains achieved in the period of high inflation.

But the process is a testament to misinformation. Poland provides the most horrible example. Throughout the 1970s Polish leaders carried favor with the workers by raising wages and subsidizing such basic items as food and housing. The country spent much more than it took in, and foreign borrowing made up the difference.

When West European bankers turned tight in 1980, Polish Communist leaders moved to raise prices on food. That followed the worker protests that gave life to the independent union Solidarity. A year of indecision in Warsaw finally ended with the military coup of Dec. 13, 1981.

General Wojciech Jaruzelski has both raised prices and put the pressure on Solidarity. The union has been contained, if not crushed. Nobody in the outside world is exactly

happy. But those with big stakes — the Russians, the pope and the European bankers — rather than trust Poland to Solidarity, prefer to leave it to General Jaruzelski.

Mexico and Brazil bring evidence from the Third World. In both cases, huge foreign borrowings were used to finance rapid economic growth. Unionized workers were the chief beneficiaries. Their wages rose, and they also profited from subsidies that kept such basics as food, housing and health care below cost.

Last summer, the string ran out on foreign borrowing. In the reckoning, both Brazil and Mexico have cut back — at the expense of the workers. In Mexico, wage increases are being held to less than half of the inflation rate for this year. In Brazil, the government is proposing, and the unions are resisting, a project that would limit wage increases to 30 percent of inflation. If the Brazilian generals cannot sell the program, then the whole package of measures taken to rescue the international financial system will come apart.

Lastly, there is the case of the United States. To an extraordinary extent, labor has paid the price of the winding-out process that preceded the current recovery. Unemployment hit new highs, particularly in such heavily unionized industries as autos, steel and chemicals. Wages lagged well behind inflation, and in many cases, there were actual givebacks by workers to management.

As the economy gains strength, labor is digging in against further concessions in wages, fringe benefits, work rules and job security. Big strikes have already hit the telephone company, Continental Airlines, Phelps Dodge and Consolidated Edison in New York. A larger test will come later on in the auto industry. But one lesson is already clear.

Extraordinarily high costs are being paid to discipline workers. In the communist world, basic human rights, and maybe even international security, have been put at risk. In the Third World, the whole international financial structure has been put at hazard. The United States and Europe have been able to check labor only by high unemployment, with an attendant souring of the political and social climate.

No doubt it is of critical importance to keep wage bargains in coherent relation with economic growth and inflation. But anybody who thinks the world has found how to reach that goal has to be considered, in Rick's phrase, misinformed.

Los Angeles Times Syndicate

LETTERS TO THE EDITOR

'Safe' Drugs

Regarding "U.S. Agency Warns on Morning-Sickness Drug" (HT, Aug. 23) by Martin Mintz:

Your report on the drug Bendectin illustrates once again the futility of testing human medicines on animals. Bendectin is but the latest in a constant stream of drugs, declared "safe" by animal-testing methods, which later proved to have quite different, and sometimes catastrophic, effects when tested on human beings.

DENNIS B. STUART, Frankfurt.

Himalayan Erosion

Regarding "Erosion Is Eating Away at Nepal's Fabled Hills" (HT, Aug. 3) by William Calborne:

A similar warning was raised in a recent issue of the review of the Club Alpin Français. I have never been to Nepal, and yet I find the thought that these forests are daily deteriorating difficult to bear. The foothills of the Himalayas are a part not only of the

LETTERS TO THE EDITOR

Nepalese heritage but of the heritage of all humanity. The Nepalese, who bear the burden of protecting these sites, should be helped by the rest of the world. I am convinced that climbers and naturalists around the world, as well as governments, would contribute to a program to this end.

The temple of Abu Simbel was rescued from the waters behind the Aswan Dam by a concerted world-wide effort. The foothills of the Himalayas are no less important.

LOUIS BODMER, Zollikon, Switzerland.

More Letters, Page 5.

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address. Brief letters receive priority; and letters may be abridged. We cannot acknowledge all letters, but we value the views of the readers who submit them.

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International Herald Tribune, 181 Avenue Charles de Gaulle, 92200 Neuilly-sur-Seine, France. Telephone 741-1265. Telex 612718 (Herald). Circulation Paris.

Directeur de la publication: Walter N. Thayer
Gen. Mgr. Asia: Alain Lecor. 24-34 Hameau Rd. Hong Kong. Tel. 5-285618. Telex 61170.
S.A. au capital de 1.200.000 F. RCS Nanterre B 732021126. Comptes Paraires No. 34231.
U.S. subscription: \$280 yearly. Second-class postage paid at Long Island City, N.Y. 11101.
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Damage

When the Soviet Union...
...the damage...
...the damage...

U.S. Agency Toughens Standards on Eligibility For Legal Aid to Poor

By Robert Pear
New York Times Service

WASHINGTON — The Legal Services Corp. has issued new rules that would make it substantially more difficult for poor people and the elderly to obtain legal representation, the agency said today.

The rules, issued last week, would tighten the eligibility criteria defining maximum income and assets for people who seek legal aid. The corporation, described the changes as "significant," and said they were essential to make sure that the agency's limited funds went to the neediest people.

Three times, President Ronald Reagan, has proposed abolishing the corporation and ending the use of federal money for legal aid to poor people in noncriminal proceedings. Congress voted to keep the agency alive, but reduced its budget by 25 percent, from \$321 million in the 1981 fiscal year to \$241 million a year in 1982.

The rule of most concern to the elderly is that an otherwise eligible applicant may be denied legal assistance if he or she has more than \$15,000 equity in a home. The equity value is defined as the fair market value of the property minus

the amount owed in mortgages and liens.

Of the people classified by the Census Bureau as heads of households, 70 percent own homes, and many houses bought long ago are worth more than \$15,000. Eric A. Shulman of the National Council of Senior Citizens, a private nonprofit group, said, "This rule would limit seriously the opportunity of many low-income elderly persons to obtain legal representation."

The policy of the Legal Services Corp., established five years ago, is that a family cannot receive federal subsidized legal aid if its income is more than 25 percent above the official poverty level. The maximum income allowed for a family of three is currently \$10,275 a year.

The new rules continue this policy, but redefine income to include government benefits formerly excluded from eligibility calculations.

In computing an individual's income, legal aid lawyers have usually disregarded welfare payments and various benefits for the aged, blind and disabled.

The new rules, however, stipulate that income from federal benefit programs must be counted because "the purchasing power of dollars is the same whether derived from a government check or a paycheck."

John C. Meyer, deputy general counsel of the Legal Services Corp., said the public had until Sept. 28 to comment on the rules and that the federal corporation could revise them to take account of such concerns. Congress could also try to block, or alter, the rules through legislation.

Under the rules, all the income of people living in one household is assumed to be available to a person seeking legal aid. Critics of the rule said this provision could disqualify retarded people living with their parents and elderly people living with their children.

Paul A. Marchand, an official of the Association for Retarded Citizens, a private nonprofit group, said: "There are thousands of mentally retarded people who have no option but to live with their parents because they don't have the resources to live on their own. The new rules penalize them."

Donald F. Reilly, deputy executive director of the National Council on the Aging, another private nonprofit group, said, "The rules seem to contravene the purposes that the Legal Services Corp. was set up to achieve: providing needed legal services to low-income people."

Alan W. Houseman, director of the Center for Law and Social Policy, a nonprofit group that has litigated many civil rights and environmental cases, said, "These rules will preclude representation to millions of poor people who are currently eligible, mainly the elderly but also the handicapped, battered women, the unemployed, small farmers and migrant workers."

Married Priests Convene, Seeking Return to Ministry

By Henry Kamm
New York Times Service

CHIUSI, Italy — About 50 Roman Catholic priests from six countries, many with their wives and some with their children, gathered here last week for what they called the first international synod of married priests.

Debate with theological fervor in four living languages, with occasional recourse to Latin, the priests and their wives drew up a list of requests and grievances that they will present to the Vatican in the hope of submitting it to Pope John Paul II and the bishops of their countries.

The priests' main request was that the church, which has suspended them from all priestly functions, restore them to the ministry. The statement, which urged that their readiness to serve not be rejected, emphasized the continuing decline in the number of priests as well as the drop in young men choosing the vocation.

The grievances revolved about the suffering of men who find themselves in the quandary of loving a woman while committed to a vocation that excludes physical love. Particular pain was expressed by, and on behalf of, priests who have petitioned the pope for dispensation from their vows of celibacy, which automatically means removal from the ministry, and have received no reply.

Since Pope John Paul II was elected in 1978, said Giuseppe Zampini, who received a dispensation from Pope John XXIII, few

requests have been acted upon. Although no reliable statistics on celibate Catholic priests are available, Mr. Zampini said 7,000 requests remained without answer. Mr. Zampini founded the Italian Union of Catholic Priests With Families, the organization that sponsored the synod here.

Most of those priests have left their ministries in anticipation of papal permission to marry. An even greater number have married without asking for dispensation.

In all cases, priests questioned here said, the men and their wives, most of whom are still practicing Roman Catholics, suffer the anguish of an awareness of sin that only papal dispensation can remove.

"Even with dispensation, at the beginning of my new life I felt mutilated and made to feel guilty," said Pierre Laurey, who has been married for 30 years.

"This celibacy is a devaluation of women," said Julio Perez Pineda, a former priest from Madrid. "It says in effect that celibacy makes you better than matrimony. Why should celibates define the norms of morality for others?"

Mr. Pineda, who is 42 and has a daughter, met his wife, a psychologist, while both worked in a factory so that they could be closer to the working class. He continues this work.

For all the participants questioned, the meeting meant a step out of isolation and anonymity. "The fact alone that people who were in despair and isolation are here to affirm themselves and to



Paolo Camellini, in Vatican City with his wife, Carla, and their son, Daniele, led the conference of married priests that called on the Vatican to restore them to the ministry.

say publicly that we have been unjustly punished makes the synod important," said Heinz Vogels, a West German who announced his belief in optional celibacy in a book in 1978 before marrying without asking for dispensation.

A Dutch priest who is not married but lives with a woman and thought for a long while before asking that his name be withheld

"to spare my superiors embarrassment," said Dutch bishops generally know that many of their priests have wives but close their eyes to it.

"But she is not my wife," he said, smiling at his companion of five years.

"I wouldn't marry him," she replied. "It would interfere with my independence."

Canadian Conservative Wins Big Step in Drive For Prime Ministership

By Douglas Martin
New York Times Service

TORONTO — Promising to build a "brand-new Canada," Brian Mulroney moved a big step toward his goal of becoming this nation's next prime minister by winning a landslide victory Aug. 29 in his first bid for a seat in Parliament.

The Progressive Conservative Party leader defeated his Liberal opponent, Alvin Sinclair, by a 2-to-1 margin in a Nova Scotia legislative district. Mr. Mulroney, a former businessman, told supporters that the victory represented a "massive repudiation of the Liberal Party."

He added, "There is no longer any such thing as a safe Liberal seat in Canada."

The Conservatives were further encouraged when their candidate, Gerry St. Germain, easily defeated his New Democratic Party opponent in a British Columbia district. Mr. St. Germain won by more than 3,000 votes, after losing by 4,500 in the last election in 1980.

The victories came while the Progressive Conservative Party is riding high, with 55 percent voter support in the most recent Gallup poll, compared with 27 percent for the Liberals and 16 percent for the New Democrats.

Since the last general election in February 1980, the Tories have won four federal by-elections and the New Democrats two; the Liberals have not won any. After last Monday's results, the Liberals held 147 seats, the Tories 103, the New Democrats 31, with one member unaffiliated to a party.

Mr. Mulroney's victory over Mr. Sinclair, 18,882 votes to 7,828, met expectations that Mr. Mulroney would win by a large margin. Although Mr. Mulroney, who had never before run for public office, had said he would be happy to win by just one vote, political analysts had said only a large victory would sustain the Tories' momentum.

The Liberals had testified to the importance of the Nova Scotia race by sending 11 cabinet ministers there to oppose Mr. Mulroney.

"We were really doing well," Mr. Mulroney said, "but when the people of Central Nova got a real good look up close at 11 cabinet ministers, our majority shot right up to the sky. If Pierre Trudeau himself had come down, they wouldn't have voted a vote."

Mr. Mulroney's victory adds to the confusion over the future of the Liberal Party, whose leader, Prime Minister Pierre Elliott Trudeau, is now visiting Greece. In his absence, top-level Liberals have openly suggested that Mr. Trudeau will soon be resigning.

Mr. Trudeau does not have to call an election until early 1985, but the common expectation has been that he will announce his resignation late this year or early next year, and that a leadership convention will be held in the spring.

Then, an election would be called later in the year.

The Liberals expressed concern over the implications of the Tory leader's sweeping victory.

"We did not need Mr. Mulroney's election to tell us we have to do something to improve either the substance of what we're doing or the way in which we communicate it to the public," John Roberts, the Employment Minister, said.

The New Democrats may also be thrown into a leadership tussle by their poor recent performance against the Tories. Dissatisfaction with the leadership of Ed Broadbent is growing in the face of the party's second consecutive loss to the Tories.

Micronesia States Ratify U.S. Pact
The Associated Press

KOLONIA, Ponape — The Federated States of Micronesia has become the first of three governments in the Trust Territory of the Pacific to ratify a Compact of Free Association with the United States, according to the FSM Information Service.

The unanimous approval by the Congress of the Federated States of Micronesia came after the Ponape state legislature voted 17-2 to disapprove the compact earlier Friday. The Reagan administration is expected to submit the compact to the U.S. Congress for ratification later this month.

The Truk, Yap and Kusaie legislatures had approved the compact, fulfilling the constitutional requirement of the Federated States of Micronesia for three of the four states. In a plebiscite June 21, 79 percent of the federation's voters approved the compact.

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U.S. Libertarians Pick a Hard-Liner To Top '84 Ticket

Washington Post Service

NEW YORK — The Libertarian Party, third largest in the nation, had given its 1984 presidential nomination to David Bergland, an anti-government activist, who is considered a hard-liner even by the Libertarians' own standards.

Mr. Bergland, who squeaked to a majority on the fourth ballot at the party's national convention Saturday, pledged to hold true to the party's mytiling platform, which calls for legalizing all drugs, bringing all U.S. troops and weapons home from overseas, and abolishing the Central Intelligence Agency, the Internal Revenue Service, the national parks, and the public schools.

The nominee, a lawyer from Costa Mesa, California, laughed off a suggestion that the party should moderate its stand in order to win the support of voters aligned with the major parties. "What reasonable person," he asked, "could take the Republicans or Democrats seriously?"

In choosing Mr. Bergland, 48, the Libertarians delegates chose ideological purity and turned away from the more pragmatic approach of their 1980 presidential nominee, Ed Clark, who lost on the ballot in all 50 states and the District of Columbia, won 920,000 votes, just over 1 percent of the total.

Under the rules, all the income of people living in one household is assumed to be available to a person seeking legal aid. Critics of the rule said this provision could disqualify retarded people living with their parents and elderly people living with their children.

Paul A. Marchand, an official of the Association for Retarded Citizens, a private nonprofit group, said: "There are thousands of mentally retarded people who have no option but to live with their parents because they don't have the resources to live on their own. The new rules penalize them."

Donald F. Reilly, deputy executive director of the National Council on the Aging, another private nonprofit group, said, "The rules seem to contravene the purposes that the Legal Services Corp. was set up to achieve: providing needed legal services to low-income people."

Alan W. Houseman, director of the Center for Law and Social Policy, a nonprofit group that has litigated many civil rights and environmental cases, said, "These rules will preclude representation to millions of poor people who are currently eligible, mainly the elderly but also the handicapped, battered women, the unemployed, small farmers and migrant workers."

The committee's decision, which has the force of law under China's constitution, greatly broadens the offenses for which convicted criminals can be put to death, as well as

China Stiffens Penalties in Crackdown on Crime

By Michael Parks
Los Angeles Times Service

BEIJING — China has increased the penalties for a wide range of offenses, imposing the death penalty for many of them, as it continues its crackdown on violent crime.

The Standing Committee of the National People's Congress, China's parliament, ordered the country's courts Friday to impose much harsher penalties, including death in serious cases, for those convicted of aggravated assault, leading criminal gangs, trafficking in women and children or attacking policemen, government officials or citizens attempting to prevent crimes.

Other targets of the intensified crackdown will be those using illegal firearms, "hooligans" whose actions cause "extremely harmful results," and organizers of any "reactionary secret society" using "foul superstitions for counter-revolutionary activities."

The committee's decision, which has the force of law under China's constitution, greatly broadens the offenses for which convicted criminals can be put to death, as well as

lengthening the prison terms for many others.

China began its current crackdown last month with the execution of 30 convicted criminals, mostly murderers and rapists, in a single day in Beijing. Other executions have suggested to observers here that several hundred persons may have been executed in the last month.

Peng Zhen, chairman of the National People's Congress, declared at the Standing Committee session Friday that without severely punishing criminals, China will not be able to reduce crime to the low levels of the 1950s and to restore what it calls "good social order."

Although serious crimes declined by 16 percent last year com-

pared to 1981 and a further 10 percent in the first half of this year, the Chinese leadership has set itself the goal of reducing it by two-thirds over the next three years through a series of law-and-order campaigns.

Street crime is a problem in major Chinese cities such as Beijing, Shanghai, Guangzhou and Tianjin, where gangs widely operate.

transplants in clinical trials, according to the Food and Drug Administration, which approved the drug Friday.

Dr. Norman E. Shumway of Stanford University, California, said that since the drug's introduction, medical centers all over the world had re-entered the transplant field. At Stanford, there has not been any clinically diagnosable rejections since it began using the drug in December 1980.

Dr. Shumway told members of a House science and technology subcommittee recently that the num-

ber of transplants in 1983 "should at least double last year's total, with further expansion expected later in the decade."

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LETTERS TO THE EDITOR

The Japanese Approach
Regarding "School System in Japan Promotes Rapid Learning" (IHT, Aug. 3) by Edward B. Pike:

As an American high school student, I was very interested in your series on Japanese education.

Although there are several things we can learn from the Japanese system, such as the importance of higher pay and respect for teachers, and better discipline in the classroom (many American parents have left this to the teachers), I believe U.S. educational methods result in sounder minds and better-rounded individuals. First of all, U.S. "tracking" of students lets each student study at his or her own pace. There are fewer things worse than being bored in a class of slower students, or, on the contrary, being left behind by brighter ones.

Secondly, it seems to me that there is a relative ethnocentricity to Japanese methods and curriculum, as is evident by the apparent lack of foreign-language instruction. Third, and most important, the Japanese educational system measures memory, whereas critical thinking and writing skills, such as those taught in the United States, mea-

sure understanding and true conceptual knowledge.

What should be important to us is not who solves mathematical problems fastest or earliest in life, but who knows the reasoning and mathematical principles behind computations.

DONALD J. FLANTY JR.
Rome.

Aquino's Death
Regarding "Marcos Opponent Slain in Manila as Exile Ends" (IHT, Aug. 22):

Senator Benigno Aquino was a believer of the Gandhian philosophy of nonviolence who wanted only to convince President Ferdinand Marcos to send the generals back to the barracks and allow a return to a democratic system. He believed that violence would cost the Philippines too much blood. He went to Manila in answer to the call of the united opposition to lead the country back to a bloodless transition.

Mr. Aquino was a profoundly religious man and a selfless patriot. His murder is symptomatic of what is wrong with the Reagan administration's simplistic and short-sighted foreign policy. A policy of praise and flattery such as that heaped upon Mr. Marcos by President Reagan can only encourage

the creation of violent dramas such as those in Iran, Nicaragua, El Salvador, Chile and Argentina. U.S. foreign policy should be geared to the aspirations of the Filipinos, not of their dictator.

TOMAS F. CONCEPCION,
Philippine Christian Democratic Party.
Rome.



Benigno Aquino — by Lark

If Talleyrand had been alive today he could justly have repeated his saying: "It was more than a crime. It was a mistake."

KRISTER KUYLENSTIERNA,
Johannesbush, Sweden.

Regarding "The Aquino Killing: Canceled Mr. Reagan's Visit" (IHT, Aug. 24):

The New York Times editorial on the murder of Mr. Aquino states, "He was shot, at point-blank range, as he was escorted from his plane by security guards."

A slight change in punctuation would produce this intriguing statement: "He was shot at point-blank range as he was escorted from his plane, by security guards."

EDWARD DORSON,
Gilleleje, Denmark.

Critics Reviewed
Regarding "Salzburg: Mozart Plays, Pavarotti Fever" (IHT, Aug. 9) by Martin Bernheimer:

Mr. Bernheimer's approach to criticism occasionally exceeds the boundaries and ethics of his task. A case in point is his entirely gratuitous (indeed, one might say spiteful) attack on Madelyn Rense in a critique of the Salzburg Festival.

Mr. Bernheimer makes note that the smaller roles "prove less successful" and cites borderline performances by William Lewis ("dry and throaty") and Timothy Jenkins

("not quite...right"). In Ms. Rense's case, however, he states the following: "Nepotism raises its pretty head in the form of Madelyn Rense, Pavarotti's ubiquitous protégée, who turns up here as a Cretan woman."

Since absolutely no mention is made of Ms. Rense's singing, one is left with the distasteful assumption that Mr. Bernheimer believes she is not in Salzburg for artistic reasons. Nepotism is a mean charge indeed and when it is raised as an issue demands considerable substantiation. Mr. Bernheimer fails this task utterly, leaving readers with the sense he's trying to ruin two reputations at once.

FRANK GORREL,
Rome.

Regarding "...And an Objection to Its Way" (IHT, Aug. 12) by Judith Mara Gutman:

Judith Mara Gutman's review of Leni Riefenstahl's recent photographic works seems a clumsy, transparent hatchet job.

So Ms. Riefenstahl had her flirtation with the Hitler days. Germany is awash with fat cats who were up to their necks in far worse Nazi activities who have since found "respectability."

Ms. Gutman criticizes Ms. Riefenstahl for "worshipping" the human form and making it "lifeless." God help Rodin, Michelangelo and Leonardo had Ms. Gutman been around in their day.

When she says that Ms. Riefenstahl's pictures of natives covered with gray paint look as if they were "molded out of clay" she gives herself away. That is exactly what makes the pictures so memorable.

Has she not the slightest idea as to why Ms. Riefenstahl's early films "Triumph of the Will" and "The 1936 Olympiad" have remained timeless teaching examples despite their blatant propagandistic nature? It is due exactly to Ms. Riefenstahl's fascination with the human body and its energies.

CHUCK PAINTER,
Monastir, Tunisia.

The U.S. Interest
Regarding "The National Interest" (IHT, Aug. 28 and 29):

It was a great satisfaction to read these articles. Marcus Raskin should represent the United States at the United Nations Security Council in order to regenerate the prestige of his country.



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More letters, Page 5

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Herald Tribune BUSINESS/FINANCE

MONDAY, SEPTEMBER 5, 1983

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EUROBONDS

By BOB HAGERTY

Banks Scrounging for Ways to Make Interest-Rate Swaps More Attractive

LONDON — The magic of interest-rate swaps is wearing thin, and banks that like to arrange such financings are scrounging for new ways to make them work.

When rate swaps blossomed into popularity last year, they seemed like a confidence game without victims. One party, usually a bank, issues fixed-rate bonds. A counterparty, whose credit rating is too low to tap the Eurobond market, raises a floating-rate loan. The first party then swaps its fixed-rate proceeds for the counterparty's floating-rate funds. After hedging, one party has to share the combined interest-rate burden, both parties ending up with the kind of funds desired at a lower rate than otherwise available.

"It's the simplest and most useful financial tool that's come along in a century, I think," said a swap specialist at a New York investment bank.

So why does the Eurobond market cringe at every announcement of another rate swap by a Japanese bank? Because, bankers say, such swaps have been so frequent this year that they have all but exhausted the market's appetite for bank paper.

Last week's \$85-million issue from Long-Term Credit Bank of Japan was a good example. The seven-year bonds came to market with a coupon of 12 1/4 percent, described all around as generous. By Friday, the bonds were trading at about 98, yielding the yield up to 12.95 percent and suggesting that some of the managers had more than passed on their commissions and were dumping the paper at a loss.

Despite the sluggish demand for such issues, bankers say, the Japanese Finance Ministry continues to encourage Japanese banks to use swaps to refinance their debt. The Japanese have done so to the hilt and may have to pause.

For one thing, portfolios are bursting with bonds issued by banks at a time when many investors are worried that the Third World debt mountain might crush some of the weaker institutions. For another, swaps are becoming more difficult to arrange. Counterparties wanting to swap into fixed-rate debt are becoming harder to find. Most want to wait for lower interest rates.

Meanwhile, because bank paper has glutted the market, banks can no longer command the bargain-basement rates of last year. One American banker said that 18 months ago a bank with an average credit rating could borrow money at 40 to 50 basis points (or hundredths of a percentage point) below the London interbank offered rate by using a swap. Now the average bank would pay a rate about equal to Libor, and some are paying as much as 25 basis points above.

At that price, the bank might find it more attractive to use the traditional route of issuing floating-rate notes.

So swaps may be scarcer in the months ahead. But banks that have made swaps a specialty — such as Salomon Brothers, Morgan Stanley and Credit Suisse First Boston — say the idea remains valid.

"They're certainly not going to go away," said P. Joan Beck, head of the new issues department at Morgan Stanley International.

Bankers do disagree on how much potential there is for extending the trick. Karl Miesel, new issues chief at Deutsche Bank, said the glut of

(Continued on Page 9, Col. 5)

Laker Polishing Plans — and Waiting

By Agis Salpukas
New York Times Service

NEW YORK — Right now it is only a paper airline. It is called Laker II and it exists only in the mind of Sir Freddie Laker — and in his Apple computer.

"It is updated frequently," he said during a recent visit to New York, "with new fuel prices, new developments in airplanes and fares and things like that."

For Sir Freddie has dreams of starting another airline to replace the one that went under in February 1982 — Laker Airways, which pioneered low fares across the Atlantic to the consternation of established carriers.

While he waits for the dreams to become reality, he is operating two companies — a charter flight business between New York and London and a package-holiday tour business between Britain and the Mediterranean — that he hopes will eventually make Laker II possible.

When those businesses build up a big enough customer core to fill four airplanes a week, he said, he plans to try to reapply for route licenses, buy or lease a couple of planes and get "back in the airline business. We can't get away from the fact that we are airline people."

As for the financing necessary to start a new airline, Sir Freddie says: "I have had many, many offers to buy and lease airplanes. I go

so far as to say that I get two to three offers a week."

But making a go of a new airline is not likely to be easy. Sir Freddie would be re-entering a highly competitive market that is still plagued by overcapacity, despite this year's dramatic recovery in travel from the United States to Europe as a result of the dollar's strength.

"It would be very difficult to break into this market," Eliot Fried Jr., airline analyst for Shearson/American Express Inc., said. "It's unlikely that he would have a price advantage even with his own aircraft, because other carriers would match his prices as they did before his recent demise."

It was the matching of Laker's low fares by such major carriers as Pan American and Trans World in the autumn of 1981, after Sir Freddie tried to attract business customers, that contributed to his airline's eventual downfall.

Laker's failure has left a mass of debts and complex litigation. The liquidators, Touche Ross of London, filed an antitrust suit in the United States charging that McDonnell-Douglas Corp. and a group of airlines conspired to fix prices and took other anti-competitive actions to drive Laker out of business.

But Sir Freddie has taken pains to remain above the fray. In an interview in New York, where he

(Continued on Page 11, Col. 5)



Sir Freddie arrives for 1982 talks with U.K. officials.

Brazil Creditors Are Worried by Langoni's Move

By Kenneth N. Gilpin
New York Times Service

NEW YORK — Brazil's commercial bank creditors reacted with surprise and concern to the announcement that the country's central bank president, Carlos Geraldo Langoni, had resigned.

However, the chairman of a bank advisory group that is overseeing the rescheduling of some Brazilian debt said Friday that he did not expect a slowdown or interruption in the talks with Brazil.

The International Monetary Fund is detailing economic conditions for Brazil under a reconstructed loan package. Mr. Langoni, who was Brazil's third-ranking economic official, characterized these conditions as "unrealistic" and resigned Thursday.

An IMF spokesman in Washington would not comment on Mr. Langoni's resignation or on the IMF proposal have not been made public.

One banker said, "This surprised everybody," and added: "At

Thursday's meeting, no one gave any indication that they knew he was about to jump. This doesn't seem to bode well for Brazil."

The banker was referring to the most recent meeting of the bank advisory group, held in New York. Bankers said a presentation to American regional banks was scheduled Sept. 12, followed by another advisory group meeting the next day.

"Critics of the fund program in Brazil have been saying that the fund conditions are too harsh," the banker said. "Now they can point to someone in the government who agrees with them."

In a statement, William R. Rhodes, chairman of the bank advisory committee for Brazil, took a more optimistic view.

Mr. Rhodes welcomed the appointment of Alfonso Celso Pastore as the new president of the central bank. "Mr. Pastore is well known to the international banking community as a highly respected public finance professional. We expect to work cordially and efficiently with him in his new capacity, as we did with Mr. Langoni."

But other bankers viewed Mr. Langoni's resignation — and the reasons for it — with a sense of foreboding.

"A lot of people are talking about a moratorium down there," one banker said. "This makes me more nervous than I was before."

In his statement, Mr. Rhodes said that he had been informed by officials in the Brazilian government and the IMF that an agreement on the revised program would be announced soon. Banking sources, who had expected the announcement this week, said it could come in the next 10 days.

In São Paulo, some bankers seemed to shrug off the resignation. "It would be a different matter if it had been Delfim who had resigned," a senior American banker said, referring to Antonio Delfim Netto, the planning minister.

■ **Brazil Devalues Cruzeiro**

Brazil devalued its currency, the cruzeiro, 2.1 percent Friday against the U.S. dollar, United Press International reported from Brasília. As of Monday the cruzeiro trades at 682 to the dollar, buying and 685 selling. Brazil's central bank said.

On the black market the cruzeiro was trading at about 80 percent over the official rate, dealers said. In New York, dealers said that the devaluation had been expected but that markets had looked for a larger one.

■ **Market Closings**

All banks and financial markets in the United States and Canada will be closed Monday for holidays.

U.S. Bond Market Rallies on Money-Supply Drop

New York Times Service

NEW YORK — News of the unexpected decline in the U.S. money supply caused a rally in the credit markets Friday. Within less than a minute after the Federal Reserve System reported that the M-1 aggregate had plunged \$1.4 billion in the financial week that ended Aug. 24, the price of the bellwether 30-year government bond had risen half a point.

By the close of trading, the offered price had climbed 1 1/4 points, to 101 20/32, from 100 10/32 before the money supply figures were announced. The yield dropped to 11.79 percent from 11.96 percent.

Yields on shorter-term govern-

ment securities also fell sharply. The yield on the three-month Treasury bill dropped 12 basis points, a basis point is a hundredth of a percentage point — to 9.16 percent.

U.S. CREDIT MARKETS

and the yield on the six-month bill fell 16 points, to 9.38 percent.

Although Friday's thin pre-holiday trading may have exaggerated the market response, Richard C. Green, president of Money Market Services of California, said that "things look pretty good." Because of the drop in the money supply, "you'd be hard-pressed to find any

rationale for the Fed to tighten credit at this point," he added.

A survey by Mr. Green's company had indicated that most traders and analysts expected an increase of \$500 million in the money supply. Excessively rapid monetary growth is a sign that the Federal Reserve will take steps to tighten credit and thereby drive up interest rates.

The \$1.4 billion decline to M-1 — the measure that includes currency in circulation and checking and similar deposits in banks and savings institutions — brought the aggregate well below the Fed's targets. The decline reduced the average to \$315.3 billion, from a down-

U.S. Consumer Rates

For Week Ended Sept. 2

Passbook Savings	5.50 %
6-Month Savings Certificates	9.78 %
Tax Exempt Bonds	
Dated Buyer 20-Bond Index	10.70 %
Money Market Funds	
Dorchester's Div. Average	8.70 %
Bank Money Market Accounts	
Bank Rate Monitor Index	8.67 %
Home Mortgage	
FHLB average	13.74 %

ward-revised \$516.7 billion the previous week.

At \$315.3 billion, the M-1 was \$1.9 billion below the Fed's interim target growth rate of 7 percent for the third quarter, and \$2.1 billion below the 9-percent upper limit of the annual target range.

Market participants had been worried because many expect a surge in the money supply during September. Most predict that M-1 will rise \$1 billion to \$2 billion next week, and \$4 billion to \$6 billion the following week.

The M-1 would then be above its targets; it can grow by about \$690 million a week to stay within the 7-percent target and by about \$800 million to stay within the 9-percent target. But because of the size of the latest decline, the market did not view the potential problem as seriously as it had earlier.

Recovery Beginning to Be Felt in U.S. Heartland

By Winston Williams

New York Times Service

CHICAGO — The U.S. economy's dramatic recovery has been well-documented in the figures that have been pouring out of Washington since the beginning of the year. But the surge described by the statistics, which began in November, is just becoming apparent to many in the Middle West, the nation's economic heartland.

From the mountains of western Pennsylvania to the prairies of the Great Plains, communities are

shaking off the legacy of three years of recession, or trying to. Some of the damage appears to be permanent.

"Everything is not rosy by any means, but we're having a strong economic recovery in the region," says Nina Kleich, an economist with the First National Bank of Chicago. "The numbers are finally starting to show up."

Nevertheless, the region's joy over the recovery is tempered by continuing high unemployment and by anxiety over the next phase of the recovery. That's when two of

the region's key sectors, capital investment and agriculture, should take off if the recovery holds, economists say.

The epitaph of Youngstown, Ohio, has been written many times. After a swirl of steel plant closings hit the Mahoning Valley in the late 1970s like a tornado, even some local boosters thought the area was on its way to becoming a Western ghost town.

Those who would have buried the town would marvel at its resilience now. New home sales began to pick up in the first quarter and by midyear they had registered an improvement of 45 percent over the corresponding 1982 period. "We've just had a terrific July and August," said Stanley Malkoff, co-owner of Homes by Stanjimm.

The nationwide recovery in automobile sales has been the savior of the Mahoning Valley. General Motors' Lordstown assembly plant, the showcase of the industry when it was built in the late 1960s, is turning out Pontiac Firebirds and Chevrolet Cavaliers full tilt. More than 8,700 employees are at work, 3,400 of them recalled since March.

Higher employment is the stuff that the Youngstown housing recovery is made of. "We're seeing a lot of younger professional people, electrical engineers, who have been on the job for five or six years," Mr. Malkoff said. "They feel a lot more secure now that they see people coming back to work."

Low-interest loans, provided by the state, are also enticing buyers into the market.

The recession was tough on Buchanan, Michigan, and the recovery is not likely to begin to improve things until the beginning of next year. That is when four small companies with a total of 200 jobs, lured by tax abatements and other inducements, are scheduled to move into the town's abandoned factories. Meanwhile, the unemployment rate is about 18 percent.

Eight decades ago Buchanan became a corporate headquarters town and a center for manufacturing jobs when the city fathers offered free rent and cheap power to lure from Chicago the small company that later became Clark Equipment Co.

It is a town of 5,136 that once harbored 3,000 jobs at its Clark plants. The last 600 were lost over

the past year after Clark, a maker of forklifts, axles and construction equipment, decided to close its three turn-of-the-century plants in Michigan.

The adjustment has been rough on the residents of Buchanan. Clark was a good place to work. They paid you good. The people were nice," said Sam Tutson, 55, who migrated from Mississippi 40 years ago to work at Clark. When his job ended in June he decided to retire on a pension of about \$11,000 a year — half his pay.

His wife, Jean, worked at Clark for almost 10 years, the last few as a production supervisor. She was let go in March 1982, a few months before she became eligible for early retirement. Now she is an inspector at a maker of mobile homes.

She is dissatisfied with the working conditions and the pay of \$5.75 an hour. Complaints that only low-paying jobs are available are common throughout the region. It is the big gripe about the companies taking over the Clark factories.

The structural change in the Middle West, which is sending many of the region's plants to Mexico and the Sunbelt, has convinced workers and public officials that now is the time to plan for the era of advanced technology.

Several companies in the region — such as Cincinnati Milacron, Westinghouse and Nordson — are getting deeply involved in robotics and computer equipment, expecting the transformation to high-tech factories to accelerate if the recovery proves durable. But high-tech means problems for much of the region's labor force.

Take the case of Ronald Bricker, 40. He was a steelworker, unemployed at the time, who sat quietly last April in a Pittsburgh computer classroom while President Ronald Reagan delivered a homily about retraining for tomorrow's jobs. After the lecture, he stepped toward the president and asked for help in finding work.

"I did it to dramatize the situation of people like me," Mr. Bricker said. "I never thought it would get so bad. I really got scared when I was standing in the unemployment line and there were people there in their 50s."

The White House found Mr. Bricker an entry-level job as a computer repairman for Radio Shack.

Courtois Surrenders to Face U.S. Insider-Trading Charges

By Robert J. Cole

New York Times Service

NEW YORK — After two and a half years as a fugitive, Edmond Jacques Courtois Jr., a former executive of the Wall Street firm Morgan Stanley & Co., has been arraigned in U.S. District Court in Manhattan after he surrendered to face charges that he participated in a fraudulent scheme to buy stock using inside information about pending takeovers.

Judge Mary Johnson Lowe set bail Friday for the one-time investment banker at \$1 million. No date was set for his trial.

David W. Denton, an assistant U.S. attorney in charge of the case, said Mr. Courtois, 35, was released on a personal recognizance bond signed by three members of the Courtois family and secured by \$100,000 cash and a Florida apartment valued at \$500,000.

Mr. Denton said Mr. Courtois, who was reported last year to be living in Bogota, was found in Montreal by Canadian officials and surrendered after an agreement was worked out between his

Manhattan attorney and U.S. and Canadian officials.

Mr. Courtois's father, a well-known Montreal lawyer, was on the boards of more than a dozen leading Canadian companies. Mr. Courtois was graduated from Lower Canada College, an elite prep school in Montreal, and from Oxford University and the Harvard Business School before joining Morgan Stanley in 1972.

Within five years, in recognition of his rapid progress in the firm, Mr. Courtois had become a vice president. He left Morgan Stanley in 1979 to supervise his own investments. In February 1981 he was indicted by a federal grand jury on insider trading charges.

The 27-count indictment charged Mr. Courtois and an associate, Andrian Antoniu, with disclosing inside information about takeovers they were working on to three other persons who used secret bank accounts outside the country to buy stock in a number of companies from 1973 through 1978. The indictment charged that the five men shared hundreds of thousands of dollars in profits.

CURRENCY RATES

Interbank exchange rates for Sept. 2, including bank service charges

	1	5	10	20	50	100	500	1000
Australia	1.3175	1.3175	1.3175	1.3175	1.3175	1.3175	1.3175	1.3175
Belgium (fr.)	36.48	36.48	36.48	36.48	36.48	36.48	36.48	36.48
Canada (Cdn.)	1.0675	1.0675	1.0675	1.0675	1.0675	1.0675	1.0675	1.0675
Denmark (DKr.)	161.170	161.170	161.170	161.170	161.170	161.170	161.170	161.170
France (fr.)	6.55	6.55	6.55	6.55	6.55	6.55	6.55	6.55
Germany (DM)	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36
Italy (Lira)	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Japan (Yen)	161.170	161.170	161.170	161.170	161.170	161.170	161.170	161.170
Netherlands (Gld.)	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Spain (Ptas.)	166.64	166.64	166.64	166.64	166.64	166.64	166.64	166.64
Sweden (Krona)	4.66	4.66	4.66	4.66	4.66	4.66	4.66	4.66
Switzerland (Sfr.)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
U.K. (Sterling)	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54

Source: Reuters. (1) = 100 U.S. dollars. (2) = 100 U.S. dollars. (3) = 100 U.S. dollars. (4) = 100 U.S. dollars. (5) = 100 U.S. dollars. (6) = 100 U.S. dollars. (7) = 100 U.S. dollars. (8) = 100 U.S. dollars. (9) = 100 U.S. dollars. (10) = 100 U.S. dollars.

(1) Commercial bank rates. (2) Amounts needed to buy one U.S. dollar. (3) Units of 100 U.S. dollars. (4) Units of 1,000 U.S. dollars. (5) Units of 10,000 U.S. dollars. (6) Units of 100,000 U.S. dollars. (7) Units of 1,000,000 U.S. dollars. (8) Units of 10,000,000 U.S. dollars. (9) Units of 100,000,000 U.S. dollars. (10) Units of 1,000,000,000 U.S. dollars.

Financial Highlights

(in millions of Flux)	March 31, 1983	March 31, 1982	in %
Balance sheet total	164,433	149,454	+10.0
Loans	50,647	46,585	+ 8.7
Securities	10,804	12,166	-11.2
Customer deposits	93,742	89,738	+ 4.5
Bank deposits	50,410	41,144	+22.5
Capital, borrowed capital, reserves and provisions*	9,273	7,067	+31.2
Net profit	420	368	+14.1

*after distribution of profit

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subsidiaries: Kredietbank (Suisse) S.A. in Geneva and KB Luxembourg (Asia) Ltd. in Hong Kong. The annual report is available in English, French or German on request addressed directly to our principal office.

An itemized balance sheet and profit and loss account have been published in the "Mémorial-Recueil Spécial des Sociétés et Associations" of the Grand Duchy of Luxembourg.



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Provided by White Weld Securities, London, Tel.: 623 1277; a Division of Financiere Credit Suisse - First Boston.

Am	Security	3M/	Chr	Issue	Pr. Add	Pr. Yield
cs75	Parm Credit Corp 12/24/71 - 1979 Jan	S	180	180	180	12.50
cs81	Blackwater Fin 3 1/2% 1979 Jan	C	100	100	101.14	
120	Amoco Chemicals Inc 12/31/71 - 1979 Aug	S	100	100	102.87	
130	Amoco Chemicals Inc 3 7/8% 1979 Aug	S	100	100	102.73	
140	Scheraga Intl Fund 3 7/8% 1979 Aug	S	100	100	101.72	12.40
cs82	Xerox Comm 11/1/71 - 1980 Sep	S	100	100	107.34	12.40
cs100	World Bank 11/1/71 - 1980 Sep	S	99.94	100	107.43	
150	World Bank 11/1/71 - 1980 Aug	S	99.12	97	113.47	
cs120	Westinghouse 11/1/71 - 1980 Aug	S	100	100	107.24	12.85
cs130	Westinghouse 11/1/71 - 1980 Aug	S	100	100	106.11	12.85
cs140	Westinghouse 11/1/71 - 1980 Aug	S	99.14	97	102.17	
150	Westinghouse 11/1/71 - 1980 Aug	S	100	100	107.12	12.85
160	Long Term Capital Mk 4 1/8% 1980 Aug	S	95	93	103.87	
170	11/1/71 - 1980 Aug	S	100	100	107.12	12.85
cs180	Am Int'l Invest 11/1/71 - 1980 Aug	S	100	100	107.12	12.85
cs190	Sevenson Finance 11/1/71 - 1980 Aug	S	104	94	8.30	
cs200	Eds Corp & Intl 11/1/71 - 1980 Aug	S	100	100	107.34	12.85
cs210	Westinghouse 11/1/71 - 1980 Aug	S	99.12	93	103.35	12.85
cs220	Westinghouse 11/1/71 - 1980 Aug	S	99.12	93	102.35	12.85
cs230	Credit Purchase System 11/1/71 - 1980 Aug	S	99.12	99	104.24	12.85
cs240	Yamaha Securities 11/1/71 - 1980 Aug	S	100	100	91	
cs250	Eurobond 11/1/71 - 1980 Aug	S	90.12	94.4	74.4	
cs260	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs270	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs280	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs290	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs300	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs310	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs320	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs330	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs340	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs350	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs360	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs370	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs380	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs390	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs400	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs410	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs420	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs430	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs440	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs450	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs460	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs470	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs480	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs490	11/1/71 - 1980 Aug	S	100	100	109.24	14.60
cs500	11/1/71 - 1980 Aug	S	100	100	109.24	14.60

[illegible][illegible][illegible][illegible][illegible]

	12/91	1/92	2/92	3/92	4/92	5/92	6/92	7/92	8/92	9/92	10/92	11/92	12/92	1/93	2/93	3/93	4/93	5/93	6/93	7/93	8/93	9/93	10/93	11/93	12/93	1/94	2/94	3/94	4/94	5/94	6/94	7/94	8/94	9/94	10/94	11/94	12/94	1/95	2/95	3/95	4/95	5/95	6/95	7/95	8/95	9/95	10/95	11/95	12/95	1/96	2/96	3/96	4/96	5/96	6/96	7/96	8/96	9/96	10/96	11/96	12/96	1/97	2/97	3/97	4/97	5/97	6/97	7/97	8/97	9/97	10/97	11/97	12/97	1/98	2/98	3/98	4/98	5/98	6/98	7/98	8/98	9/98	10/98	11/98	12/98	1/99	2/99	3/99	4/99	5/99	6/99	7/99	8/99	9/99	10/99	11/99	12/99	1/00	2/00	3/00	4/00	5/00	6/00	7/00	8/00	9/00	10/00	11/00	12/00	1/01	2/01	3/01	4/01	5/01	6/01	7/01	8/01	9/01	10/01	11/01	12/01	1/02	2/02	3/02	4/02	5/02	6/02	7/02	8/02	9/02	10/02	11/02	12/02	1/03	2/03	3/03	4/03	5/03	6/03	7/03	8/03	9/03	10/03	11/03	12/03	1/04	2/04	3/04	4/04	5/04	6/04	7/04	8/04	9/04	10/04	11/04	12/04	1/05	2/05	3/05	4/05	5/05	6/05	7/05	8/05	9/05	10/05	11/05	12/05	1/06	2/06	3/06	4/06	5/06	6/06	7/06	8/06	9/06	10/06	11/06	12/06	1/07	2/07	3/07	4/07	5/07	6/07	7/07	8/07	9/07	10/07	11/07	12/07	1/08	2/08	3/08	4/08	5/08	6/08	7/08	8/08	9/08	10/08	11/08	12/08	1/09	2/09	3/09	4/09	5/09	6/09	7/09	8/09	9/09	10/09	11/09	12/09	1/10	2/10	3/10	4/10	5/10	6/10	7/10	8/10	9/10	10/10	11/10	12/10	1/11	2/11	3/11	4/11	5/11	6/11	7/11	8/11	9/11	10/11	11/11	12/11	1/12	2/12	3/12	4/12	5/12	6/12	7/12	8/12	9/12	10/12	11/12	12/12	1/13	2/13	3/13	4/13	5/13	6/13	7/13	8/13	9/13	10/13	11/13	12/13	1/14	2/14	3/14	4/14	5/14	6/14	7/14	8/14	9/14	10/14	11/14	12/14	1/15	2/15	3/15	4/15	5/15	6/15	7/15	8/15	9/15	10/15	11/15	12/15	1/16	2/16	3/16	4/16	5/16	6/16	7/16	8/16	9/16	10/16	11/16	12/16	1/17	2/17	3/17	4/17	5/17	6/17	7/17	8/17	9/17	10/17	11/17	12/17	1/18	2/18	3/18	4/18	5/18	6/18	7/18	8/18	9/18	10/18	11/18	12/18	1/19	2/19	3/19	4/19	5/19	6/19	7/19	8/19	9/19	10/19	11/19	12/19	1/20	2/20	3/20	4/20	5/20	6/20	7/20	8/20	9/20	10/20	11/20	12/20	1/21	2/21	3/21	4/21	5/21	6/21	7/21	8/21	9/21	10/21	11/21	12/21	1/22	2/22	3/22	4/22	5/22	6/22	7/22	8/22	9/22	10/22	11/22	12/22	1/23	2/23	3/23	4/23	5/23	6/23	7/23	8/23	9/23	10/23	11/23	12/23	1/24	2/24	3/24	4/24	5/24	6/24	7/24	8/24	9/24	10/24	11/24	12/24	1/25	2/25	3/25	4/25	5/25	6/25	7/25	8/25	9/25	10/25	11/25	12/25	1/26	2/26	3/26	4/26	5/26	6/26	7/26	8/26	9/26	10/26	11/26	12/26	1/27	2/27	3/27	4/27	5/27	6/27	7/27	8/27	9/27	10/27	11/27	12/27	1/28	2/28	3/28	4/28	5/28	6/28	7/28	8/28	9/28	10/28	11/28	12/28	1/29	2/29	3/29	4/29	5/29	6/29	7/29	8/29	9/29	10/29	11/29	12/29	1/30	2/30	3/30	4/30	5/30	6/30	7/30	8/30	9/30	10/30	11/30	12/30	1/31	2/31	3/31	4/31	5/31	6/31	7/31	8/31	9/31	10/31	11/31	12/31																																																																																																																																																																																																																																							
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AUSTRALIA						
120	Australia	6/12	Feb	3/4	48	34
121	Australia	7/12	Feb	3/4	48	34
122	Australia	8/12	Feb	3/4	48	34
123	Australia	9/12	Feb	3/4	48	34
124	Australia	10/12	Feb	3/4	48	34
125	Australia	11/12	Feb	3/4	48	34
126	Australia	12/12	Feb	3/4	48	34
127	Australia	1/13	Mar	3/4	48	34
128	Australia	2/13	Mar	3/4	48	34
129	Australia	3/13	Mar	3/4	48	34
130	Australia	4/13	Mar	3/4	48	34
131	Australia	5/13	Mar	3/4	48	34
132	Australia	6/13	Mar	3/4	48	34
133	Australia	7/13	Mar	3/4	48	34
134	Australia	8/13	Mar	3/4	48	34
135	Australia	9/13	Mar	3/4	48	34
136	Australia	10/13	Mar	3/4	48	34
137	Australia	11/13	Mar	3/4	48	34
138	Australia	12/13	Mar	3/4	48	34
139	Australia	1/14	Apr	3/4	48	34
140	Australia	2/14	Apr	3/4	48	34
141	Australia	3/14	Apr	3/4	48	34
142	Australia	4/14	Apr	3/4	48	34
143	Australia	5/14	Apr	3/4	48	34
144	Australia	6/14	Apr	3/4	48	34
145	Australia	7/14	Apr	3/4	48	34
146	Australia	8/14	Apr	3/4	48	34
147	Australia	9/14	Apr	3/4	48	34
148	Australia	10/14	Apr	3/4	48	34
149	Australia	11/14	Apr	3/4	48	34
150	Australia	12/14	Apr	3/4	48	34
151	Australia	1/15	May	3/4	48	34
152	Australia	2/15	May	3/4	48	34
153	Australia	3/15	May	3/4	48	34
154	Australia	4/15	May	3/4	48	34
155	Australia	5/15	May	3/4	48	34
156	Australia	6/15	May	3/4	48	34
157	Australia	7/15	May	3/4	48	34
158	Australia	8/15	May	3/4	48	34
159	Australia	9/15	May	3/4	48	34
160	Australia	10/15	May	3/4	48	34
161	Australia	11/15	May	3/4	48	34
162	Australia	12/15	May	3/4	48	34
163	Australia	1/16	Jun	3/4	48	34
164	Australia	2/16	Jun	3/4	48	34
165	Australia	3/16	Jun	3/4	48	34
166	Australia	4/16	Jun	3/4	48	34
167	Australia	5/16	Jun	3/4	48	34
168	Australia	6/16	Jun	3/4	48	34
169	Australia	7/16	Jun	3/4	48	34
170	Australia	8/16	Jun	3/4	48	34
171	Australia	9/16	Jun	3/4	48	34
172	Australia	10/16	Jun	3/4	48	34
173	Australia	11/16	Jun	3/4	48	34
174	Australia	12/16	Jun	3/4	48	34
175	Australia	1/17	Jul	3/4	48	34
176	Australia	2/17	Jul	3/4	48	34
177	Australia	3/17	Jul	3/4	48	34
178	Australia	4/17	Jul	3/4	48	34
179	Australia	5/17	Jul	3/4	48	34
180	Australia	6/17	Jul	3/4	48	34
181	Australia	7/17	Jul	3/4	48	34
182	Australia					

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Westdeutsche Landesbank

(Continued on Page 9)

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Marketmakers in Deutschmark Bonds **WestLB**
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هكذا من الأهل

International Bond Prices—Week of September 2

Provided by White Weld Securities, London, Tel.: 623 1277; a Division of Financiere Credit Suisse - First Boston

		Yield				Yield	
Aml	Security	Middle Price	Lib. Curr	Aml	Security	Middle Price	Lib. Curr
(Continued from Page 8)							
101	Sweden	8 1/2	12 Dec	91	14	10 1/2	12 Dec
102	Sweden	8 1/2	12 Dec	92	14	10 1/2	12 Dec
103	Sweden	8 1/2	12 Dec	93	14	10 1/2	12 Dec
104	Sweden	8 1/2	12 Dec	94	14	10 1/2	12 Dec
105	Sweden	8 1/2	12 Dec	95	14	10 1/2	12 Dec
106	Sweden	8 1/2	12 Dec	96	14	10 1/2	12 Dec
107	Sweden	8 1/2	12 Dec	97	14	10 1/2	12 Dec
108	Sweden	8 1/2	12 Dec	98	14	10 1/2	12 Dec
109	Sweden	8 1/2	12 Dec	99	14	10 1/2	12 Dec
110	Sweden	8 1/2	12 Dec	100	14	10 1/2	12 Dec
111	Sweden	8 1/2	12 Dec	101	14	10 1/2	12 Dec
112	Sweden	8 1/2	12 Dec	102	14	10 1/2	12 Dec
113	Sweden	8 1/2	12 Dec	103	14	10 1/2	12 Dec
114	Sweden	8 1/2	12 Dec	104	14	10 1/2	12 Dec
115	Sweden	8 1/2	12 Dec	105	14	10 1/2	12 Dec
116	Sweden	8 1/2	12 Dec	106	14	10 1/2	12 Dec
117	Sweden	8 1/2	12 Dec	107	14	10 1/2	12 Dec
118	Sweden	8 1/2	12 Dec	108	14	10 1/2	12 Dec
119	Sweden	8 1/2	12 Dec	109	14	10 1/2	12 Dec
120	Sweden	8 1/2	12 Dec	110	14	10 1/2	12 Dec
121	Sweden	8 1/2	12 Dec	111	14	10 1/2	12 Dec
122	Sweden	8 1/2	12 Dec	112	14	10 1/2	12 Dec
123	Sweden	8 1/2	12 Dec	113	14	10 1/2	12 Dec
124	Sweden	8 1/2	12 Dec	114	14	10 1/2	12 Dec
125	Sweden	8 1/2	12 Dec	115	14	10 1/2	12 Dec
126	Sweden	8 1/2	12 Dec	116	14	10 1/2	12 Dec
127	Sweden	8 1/2	12 Dec	117	14	10 1/2	12 Dec
128	Sweden	8 1/2	12 Dec	118	14	10 1/2	12 Dec
129	Sweden	8 1/2	12 Dec	119	14	10 1/2	12 Dec
130	Sweden	8 1/2	12 Dec	120	14	10 1/2	12 Dec
131	Sweden	8 1/2	12 Dec	121	14	10 1/2	12 Dec
132	Sweden	8 1/2	12 Dec	122	14	10 1/2	12 Dec
133	Sweden	8 1/2	12 Dec	123	14	10 1/2	12 Dec
134	Sweden	8 1/2	12 Dec	124	14	10 1/2	12 Dec
135	Sweden	8 1/2	12 Dec	125	14	10 1/2	12 Dec
136	Sweden	8 1/2	12 Dec	126	14	10 1/2	12 Dec
137	Sweden	8 1/2	12 Dec	127	14	10 1/2	12 Dec
138	Sweden	8 1/2	12 Dec	128	14	10 1/2	12 Dec
139	Sweden	8 1/2	12 Dec	129	14	10 1/2	12 Dec
140	Sweden	8 1/2	12 Dec	130	14	10 1/2	12 Dec
141	Sweden	8 1/2	12 Dec	131	14	10 1/2	12 Dec
142	Sweden	8 1/2	12 Dec	132	14	10 1/2	12 Dec
143	Sweden	8 1/2	12 Dec	133	14	10 1/2	12 Dec
144	Sweden	8 1/2	12 Dec	134	14	10 1/2	12 Dec
145	Sweden	8 1/2	12 Dec	135	14	10 1/2	12 Dec
146	Sweden	8 1/2	12 Dec	136	14	10 1/2	12 Dec
147	Sweden	8 1/2	12 Dec	137	14	10 1/2	12 Dec
148	Sweden	8 1/2	12 Dec	138	14	10 1/2	12 Dec
149	Sweden	8 1/2	12 Dec	139	14	10 1/2	12 Dec
150				140			

CONVERTIBLE BONDS

[illegible]**HIGHEST CURRENT YIELDS**

On convertibles having a conversion premium of less than 10%.

[illegible]

ZERO-COUPON BONDS

[illegible]

NEW EUROBOND ISSUES

Original Pay	Interest Payable	Issuer	Amount (millions)	Maturity	Coupon %	Price	Yield At Offer	Terms
●		Bangkok Bank	\$50	1987	3/4	100	—	Over 6-month Sibar for first 3 years and 1/4 over for fourth year. Redeemable at issuer's option in 1986. Floating rate certificates of deposit in denominations of \$250,000.
●		Ferrofluidics	\$10-30	1990	zero	99	0.14	Convertible at an expected 0.5% premium.
●		LTCB Japan Fin.	\$85	1990	12%	100	12%	Noncollable.
●		Asia	\$50	1992	open	100	—	Coupon indexed at 50%. Convertible at an expected 5% premium. Terms to be set Sept. 6.
●		S. African Ponds Sys.	\$100	1990	7	open	—	Noncollable. Terms to be set Sept. 9.
●		Hydro-Quebec	\$50	1993	12%	100	12%	First callable in 1991 at 101.
●		Hydro-Quebec	0.05	1984	—	10	—	Each warrant is exercisable for one year into a \$1,000 note of the same bonds at par.
●		Australian Int. Develop.	A\$30	1988	14	100	14	Noncollable.
●		Boyer Landeskopf Int'l	LF250	1988	10 1/2	100	10 1/2	Private placement.
●		European Community	\$50	1993	1 1/4	open	—	First callable at 101 in 1989. Floating rate to start in 1986 to produce a 6% average rate. Terms to be set Sept. 6.

Rate Swaps *Bank Chief* Losing Sheen *Probed in* (Continued from Page 7) bank paper and the general weak- *Argentina* ness of the bond market made the

Prospects bleak

But Deborah Decotis, a swap specialist at Morgan Stanley, said: "We've all got more creative." She said more complicated swaps were being pitched together, involving currency swaps and three parties instead of two. That increases the potential for the borrowers to scoop up advantages they could not obtain from their regular credit outlets.

In addition, some specialists contend that not only banks can benefit from switching into floating-rate funds; Levi Strauss, BMW and Nederlandse Gasunie have been involved in swaps on the side usually occupied by banks.

Other bankers question whether many companies struggling to sell widgets will want to complicate their lives by managing floating-rate funds and coordinating the timing of their borrowing with second and third parties.

But swap specialists say there is

New York Times Service

BUENOS AIRES — A judge is investigating charges that Julio González de Solar, the president of Argentina's central bank, leaked highly valuable insider information to eight banks, five of which are located in the United States.

The federal prosecutor, Alberto Piotti, asked for the investigation, saying that the banks had apparently "benefited" by approximately \$200 million from having advance knowledge of the government's actions designed to reduce interest rates on the nation's credit markets.

His information came from numerous news reports quoting unnamed senior officials in the Economics Ministry, Citibank, Morgan Guaranty Trust Co., Wells Fargo Bank, Manufacturers Hanover Trust and National Republic Bank were the U.S. banks that benefited from the measures, accord-

potential wherever a company lacks access to cheap floating-rate funds. "We've got to start looking a little harder," an American swap expert said.

The First Term Credit Bank offer got off to a slow start last week even though it was the only new U.S. dollar issue around. In other sectors:

- The South African department of posts and telecommunications offered 100 million Deutsche marks of seven-year bonds. The lead manager, Berliner Handels- & Frankfurter Bank, said it expected to price the issue at par and set the coupon at 9 percent. Final terms were to be set Sept. 9. On Friday, the bonds were trading at about 99.
- Merrill Lynch launched a 10-

ing to the news reports.

Mr. González del Solar, the target of sharp criticism for his anti-inflation policies, denied the charges.

The banks also denied having received any tip or having taken any unusual steps to take advantage of a potentially profitable situation.

On Aug. 10, the central bank and the Economics Ministry announced a 12-point program aimed at containing Argentina's 325-percent inflation rate and calming the highly volatile credit markets.

Interest rates had soared to 28 percent a month. The measures imposed a ceiling of 12.5 percent a month in an effort to make loans affordable to the nation's struggling

The senior economics officials quoted in the news reports said the banks responded to the tips by taking out \$300 million in seven-day, call-money loans at a monthly interest rate of 26.6 percent.

The news reports noted that what made the private banks' action worthwhile was that, under the new measures, the call-money would be rescheduled for repayment over three months at an interest rate of 10.5 percent monthly. The stipulation was included to prevent an abrupt "liquidity in the present market," the regulation ensuring the availability of call-money for other than interbank loans, the central bank said.

The news reports noted the banks would make at least a \$200-million

U.S. Reports Fall In Oil Reserves

WASHINGTON — U.S. oil reserves declined by 5.3 percent in 1982, ending two years of relative stability and resuming a downward trend of previous years, the Department of Energy reports.

Bank Chief Probed in Argentina

BUENOS AIRES — A judge is investigating charges that Julio María Sanguinetti, the president of Argentina's central bank, leaked highly valuable insider information to eight banks, five of which are located in the United States.

The federal prosecutor, Alberto Priotti, asked for the investigation, saying that the banks had apparently "benefited" by approximately \$200 million from having advance knowledge of the government's actions designed to reduce interest rates on the nation's credit markets.

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BUSINESS BRIEFS

MGM-UA Sues Munich's Taurus-Film Charging TV-Distribution Price Fix

The suit, filed Friday in U.S. District Court in Los Angeles, accused Taurus-Film of Munich; its chief executive, Leo Kirch; and its U.S. subsidiary, Los Angeles-based Taurus-Alton A. Rudin, of conspiring to restrain trade and fix prices in television distribution of American stars and programs in German-speaking countries.

The suit also accused Taurus, Mr. Kirch and Mr. Rudin of interfering with a business relationship between MGM and Degeto Film, the buying arm of a West German television network, by causing Degeto to pull out of a distribution arrangement with MGM.

Continental Air Said to Ask Pay Cut

At a meeting Wednesday in Houston, key company officials gave union representatives until Sept. 15 to respond to the proposal, which would also require each pilot to fly 16 more hours a month, the sources said Friday. They said that change would result in the layoff of 340 of Continental's 1,400 active pilots.

"We won't concede to this damn thing," said one Continental pilot. "A few months ago, Continental pilots already agreed to pass up pay raises amounting to 20 percent of our pay."

UAW to Reopen Talks With Chrysler

Mr. Bieber said Friday that he had asked the union's Canadian and U.S. representatives to meet with the company negotiators as soon as possible. A UAW spokesman said that the Canadians might meet early Saturday but that the U.S. negotiators likely would not meet until Monday. Talks between the two sides broke off July 27. Meanwhile, the trade publication Ward's Automotive Reports said Chrysler and its Japanese partner, Mitsubishi Motors Corp., were discussing U.S. production of a Mitsubishi-designed minicar by 1986. A Chrysler official confirmed that Mitsubishi was studying such a project.

More Banks Seen in Nigeria Package

Terms will be identical to those on the earlier accord, signed by 25 links, the sources said Friday. The original estimate for refinanced rears from confirmed letters of credit was \$1.6 billion.

SG Warburg and Co. is arranging the additional refinancing, with Barclays Bank International as agent. The transaction effectively turns rears into a three-year loan, with principal repayments delayed until January 1984.

spotlight Cable May Be Dissolved

LOS ANGELES (LAT) — The four large cable television operators at own Spotlight, the fifth-largest U.S. pay-TV service, are considering dissolving the venture and shifting its subscribers to other services. Although no decision is expected before a mid-September meeting of

Spotlight was started in May 1981 by the Los Angeles-based Times Mirror Co. In December 1981, Cox Cable Communications Inc., Telecommunications Inc. and Storer joined the venture.

Hearing Set on Sale of Manville Unit

On Aug. 26, 1982, Manville filed for protection from its creditors. Under U.S. bankruptcy law, all Manville transactions must be approved by the court.

Stromberg-Carlson, Mitsubishi Deal

The vehicle's standard system, ASL/MTC, will use SA Conquest's digital switching technology and Mitsubishi's radio frequency equipment, mobile telephone transceiver and data links, Plessey said Friday. Mitsubishi International is the U.S. subsidiary of the Mitsubishi Corp.

[illegible]


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Gold Options (prices in \$/oz.)					 Viking Resources International N.V.	
Pt-w	Aug.	Nov.	Feb.			
400	10.40-12.50	10.50	14.00		N.A.V. as at 31-8-83 \$56.14	
450	1.50-1.70	1.50-1.60	26.50-27.00			
500	3.00-4.00	9.30-11.00	19.00-22.00			
450	1.75-2.75	1.75-2.00	13.00-15.00			
510	0.25-1.25	3.50-5.00				
Gold 477.00-477.75					INFORMATION: Pierson, Makings & Pierson N.V., Herengracht 214, Amsterdam.	

[illegible]

NASDAQ National Marke

n & price		Calls		Puts	
M	25 57 1/2	9	1 1/4		
	25 13 1/2	2 1/2	1 1/4		

For the Week Ending September 2, 1983

(Continued on Page 11)

[illegible]

(Continued from Page 7) The charter and tour ventures Command, he started Aviation guarantee some of Laker's debts. had some to guarantee his new char- were formed with funds from Trader Ltd in 1946, buying and he said

lational Airways. That price represents the low end of the spectrum for New York-London charters, which generally run between about \$400 and \$500. The Laker Travel charter has virtually sold out this season and has carried 4,000 passengers so far this summer, a success rate that has prompted Sir Freddie to extend the program through January.

His staff for the charter operation in the United States and the package-holiday business in Europe is made up of about 25 workers, most of them former Laker employees. In Britain, some 1,200 handrissers have been enrolled to sell the tours for small commis-

Rowland to restart Laker. But there were so many difficulties in transferring the bankrupt airline's route rights to a new company that the effort was put off.

The failure of Laker Airways, which had its first flight on Sept. 26, 1977, and charged \$135 one way from New York to London—about one-third the cost of existing fares—has left its marks on Sir Freddie. For, although he is now 60, he says he cannot get aviation out of his system.

A native of Canterbury, England, he got his first taste of aviation at 16, when he was an apprentice engineer at Short Brothers, a builder of flying boats.

With his airline turning a profit until March 1981, he had built up a small fortune during his long career in aviation. Knighthood was conferred upon him by Queen Elizabeth II in 1978 in recognition of his contribution to aviation and the British economy.

"I had what most people consider to be a respectable standard of living," he said. "I had farms, I had Rolls Royce motor cars. I had a yacht and I had race horses. I could buy myself a new suit whenever I wanted one and I could eat where I wanted."

But the luxuries are now gone. His money having been used to pay for operational losses, he says, "I

working this I needed to work. enjoy it. It's fun."

And he has learned some lessons on the wavy down.

"I think every businessman in his life should have one day in his life to see what it is like coming down," he said. "Going up is easy. You meet all sorts of people. But I assure you, when it takes two to three years to get to the top and minutes to get to the bottom, the faces you meet on the way down are different. You really see the human race at its best on the way down. It's absolutely unbelievable. Unbelievable. Some of the things that have happened to me and the kindness of some people have been blind-

For the Week Ending September 2, 1983

Option & Price	Costs	Pays
Fleetw 27 1/2	r	s
35 1/2	7 1/2	11
		3 1/2
		r

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(Continued From Back Page)	
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Figure 1. The effect of the concentration of the *Agrobacterium* suspension on the transformation efficiency of *Agrobacterium* strains.

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